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High Hurdles For Fakers

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Blue Sky Law Enacted in State of Washington Raises a Series of Barriers Against Hopeless Investment. Protection From Overvaluation of Property. Promoters Must Wait for Profits Until Success Is Assured. Law Spoils the "Inside" Lure.

THE Washington Securities Act, commonly known as the Blue Sky Law, was enacted June 7, 1923, for the purpose of protecting investors from the sale of fraudulent securities. The law is not intended to stop the promotion of legitimate enterprises or the sale of speculative securities that promise a reasonable chance of return.

That there is need for protection of small investors can be vouched for by local bankers and trustees of savings associations, who report that millions of dollars are removed annually from the state into the pockets of smooth promoters by means of high pressure salesmen. In many instances purchasers are not sufficiently trained in accounting and finance to judge intelligently of the merits of an investment. Few people ask for a financial statement, and fewer are able to interpret such statements.

To what extent may the state go in the matter of supervision, and yet avoid the charge of excessive paternalism? Any regulation implies a certain degree of the oversight and paternalism. The ideal law is one that prevents outright swindling and at the same time encourages legitimate development. The law then cannot suppress the sale of development issues. It can, however, require the vendor to state fairly the essential facts upon which claims for profit are based, and it can demand a moderately safe policy regarding the protection of the investment. Such a plan protects the seller of sound securities and supplies a ready means for the selection of the fit and the elimination of the unsubstantial and unfit businesses. It creates confidence on the part of the investor in those securities that have sufficient merit to pass the Blue Sky tests. With the confidence of the people thus increased through the elimination of fraudulent issues, less difficulty will be encountered in successfully floating gilt edge bonds and high grade development securities.

10,000 Corporations Stricken Off

DURING the past decade there have been stricken from the office files of the Secretary of State of Washington approximately 10,000 corporations or roughly 80 per cent of the present number on record, due to financial failure, mismanagement, bankruptcy and other causes. One-third fail through lack of sufficient capital to carry on the business to a successful issue. Another 40 per cent fail through incompetence, inexperience and lack of business knowledge. Ten per cent fail because of the fraudulent manipulation of finances, theft, etc., while a smaller number fail through causes beyond the control of the management.

Fraud in the sale of securities may be intentional, i. e., a direct misrepresentation of material facts, upon which a buyer may rely and purchase to his later loss, or it may be entirely unintentional and may result from a misrepresentation of facts due to the lack of knowledge of simple business principles on the part of the erstwhile promoter, whose chief asset often is imagination and faith. The world is full of well intended persons who have a brilliant idea or a hobby and who are perfectly willing to ask others to finance a company on promises of immediate and enormous dividends, when as a matter of fact the whole venture is doomed to failure before it starts. Is not the latter type of misrepresentation as bad as the former?

THE Washington Securities Act, one of the last to be enacted in the United States, was patterned after several laws which have been in successful operation for a number of years in other states. Its administrative features have numerous precedents that form the basis of sound and tried regulation. The Secretary of State, who has charge of the administration of the law, investigates all issues of securities except those specifically exempted in the law, offered for sale in Washington, blue pencils the advertising and prospectuses put out by issuing companies. He also issues permits to sales agents and brokers, over whose transactions he has supervision, and he has charge of enforcing through the County Prosecuting Attorneys, and the Attorney-General, all infractions of the law.

The exempted securities cover all national banking associations and other corporations, organized and existing under and by virtue of the acts of Congress of the United States; all insurance companies authorized to transact business within the state and all corporations transacting a banking or trust company business within the state; all building and loan and savings and loan corporations; associations and societies authorized to do business in the state; all public utilities subject to the jurisdiction control and regulation of the director of public works; all bonds, debentures issued by the State of Washington and its political subdivisions.

The law provides that no company shall sell any security of its own issue, until it shall have first applied for and secured from the Secretary of State a permit authorizing it so to do. Contracts for the sale of stock without a permit in other states have been declared null and void, the contract rescinded, the money paid on subscriptions refunded and in some instances criminal convictions followed.

To Get a Permit

THE application for a permit requires the following information under the seal of the applicant corporation:

(a) The names, addresses and occupations of the officers of the company;
(b) The location of the office of the company;
(c) A statement of the assets and liabilities of the company as of a date within thirty days, prior to the filing of its application;
(d) A statement of the plan upon which the company proposes to transact business;
(e) The number of shares in the treasury of the company and the amount to be paid agents for the sale of stock;
(f) A copy of any security the company proposes to issue, and of any contract it proposes to make concerning the same;
(g) A copy of any circular, prospectus, advertisement, or other advertising matter which is proposed to be issued in connection with the sale of its securities;
(h) If the applicant is a co-partnership or an unincorporated association or joint stock company, it shall file with its application a copy of its articles of co-partnership or association, and all other papers pertaining to its organization.
(i) If the applicant is a trustee, it shall file with its application a copy of all instruments by which the trust is created and in which it is accepted, acknowledged and declared.
(j) If the applicant is a corporation, it shall file with its application a copy of all minutes of any proceedings of its directors, or stockholders, or members relating to or affecting the issue of such securities, and also a copy of its articles of incorporation and of its by-laws and of any amendments thereto.
(k) Any such additional information concerning the affairs of the company as the Secretary of State may reasonably require.

Under the latter heading there is required a profit and loss statement of the year preceding the date of application; also a statement relative to any pending or threatened litigation; the amount and kind of securities of the company held by each of the officers; the consideration paid for the stock, and the salary per year received by each. The purpose of this is to ascertain the amount of securities which have been issued for promotion purposes. The information required of newly started concerns is more exhaustive than is asked of successful going concerns, and usually consists of the following:

1 Principal article or commodity to be manufactured and dealt in or the service to be sold.
2 The demand for such article, commodity, or service.
3 How market contacts are to be established.
4 Location of the principal markets.
5 Competition expected.
6 Description of production organization.
7 Detailed cost of production.
8 Description of selling organization.
9 Description of administrative organization.
10 Expected volume of business; first year; second year.
11 In detail, expected investment in fixed assets.
12 In detail, estimated amount required for working capital.
13 How soon does the company expect to be on a basis where production or operating profits will be sufficient to meet expenses? How determined?
14 Estimate of burden on future profits.
(a) For commission on sale of stock, promotion and organization expense.
(b) For development and losses during the period before business will be on a profitable basis.
(c) For extinguishing of intangible assets.
15 Experience and qualifications of officers and general manager, which give assurance of their ability to properly conduct the business of the company.
16 Expected net profits or net losses;
(a) First year;
(b) Second year.

Additional Answers

IT is impossible to formulate a general questionnaire which will give the information for all kinds of enterprises, which will enable the Secretary of State to determine whether the proposed plan of business of the company issuing the securities is not unlawful, unfair, unjust, or inequitable, as required by law. The company is therefore requested to supply in addition to the answers to the questions such information as it believes will be necessary to enable the Secretary of State to arrive at such a determination.

Prevention of Overvaluation

ONE of the most fruitful sources of fraud is the overvaluation of property, patent-rights, oil leases, promotion services and intangible assets, put into companies by the promoters themselves. Many instances have been brought to light where patent-rights and promotion services have been sold to corporations by organizers for hundreds of thousands of dollars in common stock, where a fair appraisal showed a value not to exceed $10,000 or $15,000. One promoter in a close corporation sold to himself a state lease costing $15 for $63,000 and later raised the price of a small amount of game on the property to approximately $40,000. An investigation by a securities inspector divulged the total worth of the reserve to be $8,000, yet this promoter was selling stock in a $100,000 corporation in which he held 51 per cent of the stock.

On such items sold by insiders the Examination Board substitutes a fair appraisal by valuation engineers or experts qualified to pass on such matters. In no cases are promoters allowed to keep more than 51 per cent of the stock. The Examination Board also deems it to be fraudulent to capitalize a company for three or four times the value of its assets, to issue this stock to a few insiders, sell the public an amount of stock sufficient to finance the venture, and then have the promoter take all the way from 75 to 90 per cent of the net profits. The new rule is to give those who have invested a fair chance of securing a reasonable return on their money. The old promotion rule induced the poor working woman and others equally unsophisticated to put up all the money, to take all the risk of loss in case the venture failed, but withheld the lion's share of profits, if the venture proved to be successful. The new rule attempts to bring equity to those who put up the capital; to make the returns commensurate with the risk.

Promoter Must Wait For His Profits

FOLLOWING the precedents laid down in other states having similar laws, the Secretary of State has ruled that the stock received by the promoter in the new company may not be sold to the public until the company has passed through the preliminary stages, has raised all of its capital and has proven that it can make profits. More fraud has been perpetrated on the American people through the sale of personal stock of promoters, who "let people in on the inside" of ventures than, perhaps, from any other single cause. It is the promotor's way of "getting out from under." Going from town to town he organized companies for the manufacture of patented carpet tacks or what not, started a lively stock selling campaign among the town people and at the height of enthusiasm in the proposition quietly unloaded his 51 per cent holdings to "prominent" citizens and others gullible enough to bite.

In order to stop the sale of this type of worthless stock directly and to keep whatever genius the promoter has at work in the best interests of the company during its development stage, it is now arranged that substantially all of the promoter's stock shall be held in trust for a time, depending on the length of the financing period and the rapidity with which profits are earned.

One stock promoter has for the past two decades made a business of starting companies, securing the usual majority of the stock, and instead of selling his personal stock, deliberately wrecking these concerns, thus securing money by sharing in the liquidation of the assets, all of which were supplied by others through their investment of cash and property. His contribution was generally limited to an obsolete patent-right and a bold front.

Under the terms of the escrow agreement all this is prevented by the clause which prevents stock issued for promotion, etc., from sharing in assets in case of dissolution until the holders of other shares have been fully satisfied.

Full Capital Must Be Raised

IN cases of new concerns making a fresh start in an untried field and manned by inexperienced men, the Examining Board sometimes requires the raising of the full amount of capital before any of it is released to the company. As 30 per cent of the business failures are due to the lack of sufficient capital, that handicap is overcome by preventing operation before there are sufficient funds. That requirement stops the dissipation of funds, puts the firm in a stronger bargaining position, improves its credit standing and insures a larger per cent of successes. Incidentally it tests the ability of the management in one of the first requisites of financial management, viz., that of raising capital. In some cases no commission is allowed on the sale of stock, for if the money is returned to stockholders with the commission deducted, the stockholders stand to lose at the expense of the stock salesmen. In all legitimate enterprises the commission on the stock sales has been limited to 20 per cent which must be paid from the money collected by the corporation and not from the first payments. When salesmen collect from the first moneys received on instalment sales, that practice often results in all funds being paid for commissions, because in many cases there are no payments after the first.

Before a permit is granted either to new or old concerns, the examination department requires a full statement covering all matters of litigation in which the company may be involved, for it is manifestly unfair

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Not To Be Cured By Political Or Legislative Processes

Northwestern Grain Area Farm Troubles. John H. Rich of the Federal Reserve Bank, Minneapolis, Says Failures and Abandonment of Land Are Inevitable Part of Readjustment of Agricultural Conditions. Emphasis Out of Proportion.

"THE serious problems confronting farmers in the northwestern grain raising area are the product of economic causes and are not to be cured by political or legislative processes.

"The failures, foreclosures, and abandonment of land that have occurred are an inevitable part of a profound change and readjustment of agricultural conditions parallel to the reactions of the Civil War in the western areas then devoted to grain. They will continue until they have run their course, although they have probably reached their peak.

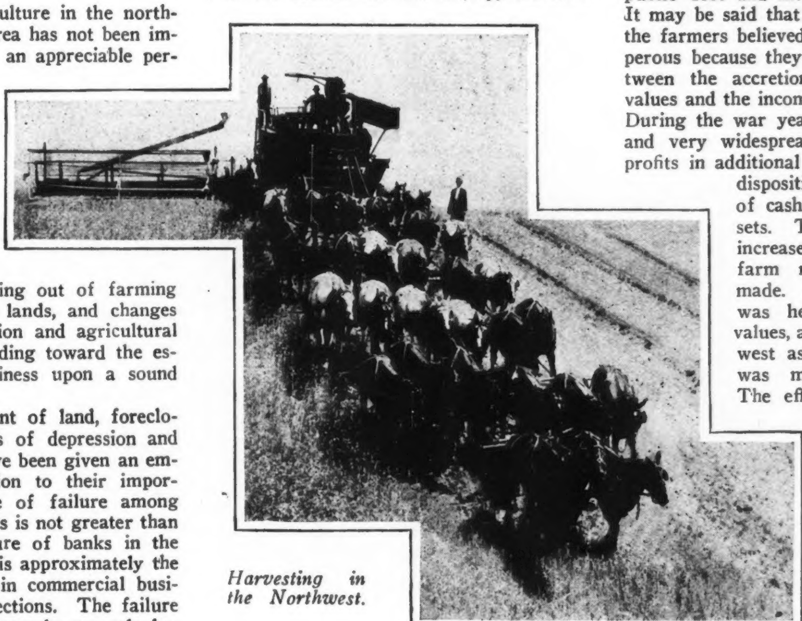
"The future of agriculture in the northwestern grain raising area has not been impaired. It has not lost an appreciable percentage of its capable men. It has been undergoing a drastic purging process involving the elimination of the unfit, the deflation of excessive land values, the collapse of credits built on an unsound basis, the wiping out of farming operations on marginal lands, and changes in the type of production and agricultural methods, which are tending toward the establishment of the business upon a sound basis.

"Failures, abandonment of land, foreclosures, and other results of depression and distress in this area, have been given an emphasis out of proportion to their importance. The percentage of failure among the grain raising farmers is not greater than the percentage of failure of banks in the grain raising area, and is approximately the same as the mortality in commercial business within the same sections. The failure of those in farming looms larger only because the number is far greater than the number engaged in banking or other business activities."

The foregoing are conclusions reached by John H. Rich, chairman of the Board, and Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, in an analysis of the economic position of agriculture in the northwestern grain raising areas, submitted to the Federal Reserve Board at Washington.

But he who stops with the reading of the conclusions misses one of the valuable, and withal the most interesting presentations in all of the multitudinous studies of the farm problems. Though it has the double disability of being both a "government report" and an "economic study," it nevertheless rises above the prejudices sometimes attending documents of both classes. It even gives glimpses of a pathetic kind of humor. When the roll of those who have failed in farming is called by their former occupations the answers reveal circus musicians, a paper-hanger, a sailor, wrestlers, barbers, an undertaker, a deep sea diver, a milliner, and a professional gambler.

Similarly, but with no intent at humor, it reverses the position of the banker and the farmer in the tragedy of deflation in that the farmer has the money, the automobile, and a fair bit of luxury, while the banker has the notes.



Harvesting in the Northwest.

From the analysis the following paragraphs are taken:

Wheat at 49 Cents

"BRIEF reference to the history of the past is necessary to an understanding of the problems of the present," says Mr. Rich. "During the depression following 1893, when wheat sold at one time for 49 cents a bushel in the Chicago market, the conditions were similar to those of the present time. There were numerous foreclosures. There was much abandonment of land. There was heavy failure in farming and in business. But after the low point of depression had been passed, there was a large investment of eastern funds in northwestern lands and mortgages. Agriculture came back slowly and steadily with gradual increases in land values, which continued until the collapse in 1920. During the last half of this period, the farm mortgage indebtedness in the four states of Minnesota, North and South Dakota, and Montana, increased from $169,220,509 to $530,791,929 with enormous increases in the bonded public debt and interest payments thereon. It may be said that in very many instances the farmers believed themselves to be prosperous because they did not distinguish between the accretions due to rising land values and the income from farm operation. During the war years there was a general and very widespread disposition to invest profits in additional land. There was little disposition to create reserves of cash, deposits or liquid assets. There was an abnormal increase in the rate at which farm mortgages were being made. In some localities there was heavy inflation in land values, although over the Northwest as a whole, the inflation was moderate or negligible. The effect of the collapse of 1920 was to wipe out the already impaired market for mortgages, deflate the value of land to a value founded upon a production basis, and to create conditions under which only competent, experienced and resourceful farmers were able to escape acute distress.

Preceding the Collapse

"THE gradual building up of an inflated condition had the result that, just preceding the price collapse of 1920, the district contained 3,875 banks, the acreage in wheat had increased, merchandising establishments had crowded in where there was no economic necessity for them and all lines of activity showed evidence of having been overdone. Nothing could be more characteristic than the then existing banking situation. Based on the ratio of population per bank for the United States as a whole,

North Dakota had five banks where one would have been sufficient South Dakota four, Montana three, Minnesota twice as many as the national average. The increased acreage of wheat had not produced a proportionately increased production. The over-banked condition had encouraged unwise extensions of credit. A collapse was inevitable. So thoroughly has the process worked itself out that the wheat acreage has already been brought back by elimination to very nearly a normal basis, while in banking, in merchandising, and in the distribution of goods, the volume of service is being brought into a right relation to the necessities of the population.

The Reactions from the Civil War

"A GLANCE at conditions following the Civil War is of particular interest because these conditions are curiously parallel to those existing in the grain raising areas of the Northwest today. During the decade from 1860 to 1870, Iowa almost doubled the amount of wheat produced. Wisconsin increased its population more than one-third. The Prairie Farmer observed in 1864:

> 'There must be something radically wrong with the farmer who does not now free himself from debt. Every cultivated product bears a highly remunerative price.'

"Toward 1870, when prices were beginning to drop, farmers in Iowa and Wisconsin considered the slump but temporary, and on the strength of the prosperity they had enjoyed for six years, they did not hesitate to go into debt for choice land. About 1870, there was considerable holding of wheat in the Mississippi Valley states. In 1866 and 1867, wheat sold for $3.50 a bushel. In January, 1870, it was worth 77 cents on the Chicago market. In the following years prices fell to an exceptionally low level. An excellent authority says that when farmers felt themselves pinched by falling prices, they tried three different means to relieve themselves. First: they attempted to reduce the cost of transporting their products; second: they tried to eliminate the middleman through co-operative buying and selling; and, third: they demanded that the United States Government increase the circulating medium. In 1870, a total of 18 million bushels of wheat was marketed at Milwaukee, and in 1880, only 11 million bushels. The Secretary of the Iowa Agricultural Society said in 1878, that there never has been a time in history of so great a depression in business of all kinds. In 1874 Kansas land was abandoned, which is now worth more than $200 per acre. Corn was being bought for 8 cents a bushel. In 1866 the farm values of an acre of wheat in Iowa was $22.72, and in 1876, only $5.48. So rapidly did conditions change that in 1879, the Secretary of the Wisconsin State Agricultural Society was able to say that large areas in wheat were a thing of the past. An authority states that during the years of falling prices, discontent and agitation, the farmers in both states who had developed dairying were prosperous and contented and paid little attention to the Greenback movement.

"Deflation" of the Farmer

"IGNORANT or wilful propaganda has found a fertile field both in exaggeration of the amount of agricultural distress and in explaining the causes thereof. Vicious misrepresentation of facts has led many farmers to make no distinction between *price* and *credit* deflation. The deflation of prices —both in and out of agriculture—was a world-wide phenomena, the facts of which have been officially determined by the government. No thoughtful man could have expected that the extraordinary inflation of prices caused by the war could continue indefinitely. Every war in history has been followed by price deflation. The price deflation after the Civil War has already been referred to. Every student and economist in the United States knew that price deflation would follow the termination of the world war. Few, however, anticipated so sudden an Armistice, or had accurately forecasted the scope of the domestic deflation process.

"That price deflation occurred, that it was of a very drastic character, and that it caused serious losses not alone to agriculture, but to every kind and character of business including banking, is too well known to require comment. That *credit* deflation in the northwestern grain areas was forced upon the farmers coincident with *price* deflation is an apparent absurdity. *Credit* deflation has not occurred to this date.

As Irrational as Untrue

"THE result of the price collapse in 1920 was the monopoly of bank credit in large part by the agriculture of the area. It has relaxed its hold on loanable bank funds in three years at a rate of less than 1.2 per cent per year. Instead of forcing deflation on his customers, the banker has found it difficult for his customers to pay. During an entire year past the aggregate reduction of bank loans of the four states is only nine-tenths of one per cent, or less than one cent on the dollar of bank loans. The rural customer still holds loans of nearly a billion dollars and the banker holds the paper.

"This is an enormous volume of loans —twice the aggregate loans of 1913. When the 'cruel and murderous deflation' and the 'drastic policy of discrimination against agriculture' have finally occurred, the banker will hold the cash for this huge sum in loans and discounts and the customers will hold cancelled notes. Until such a time arrives, talk of credit deflation of farmers will continue to be quite as irrational as it is untrue.

Causes of Failures

"THERE are in the northwestern grain area 388,242 farms embracing 72,250,000 acres. It is noticeable that in the well diversified sections, the amount of agricultural distress is vastly less than in the grain areas. The former were the areas which years ago underwent forced abandonment of one-crop farming. A survey of the circumstances and condition of 203,040 farmers within the area properly classified as wholly or principally grain raising discloses many important facts. Of the total number, 5,388 are bankrupt or being foreclosed; 9,302 so involved as to be in imminent danger of bankruptcy; and 4,959 have been forced to abandon their farms and leave the country. In view of the inclusion of those who have abandoned their land in the number of those bankrupt, the survey indicates a total of 14,690 as having failed, or 7.2 per cent. The percentage by states is interesting, and is as follows:

Montana	17.7%
North Dakota	10.5%
Northwestern Wisconsin	3%
Minnesota	3.7%
South Dakota	7.3%
Northern Michigan	2.8%

"The reason for the radical drop in the percentage of failure in North Dakota as compared with Montana, and in Minnesota as compared with either of the Dakotas, is not clear except to those who understand the character of colonization in Montana, the type of men who engaged in farming in that area, and the conditions under which their farm operations were attempted. Montana's heavy proportion of failure is a reflection of unwise colonization methods, of sincere but unfortunate attempts to farm non-agricultural and marginal lands, and of results that were inevitable after a period of years had clearly demonstrated the moderate probability of success upon unsuitable land and under adverse conditions. In the area of heaviest failure in that state, 51 per cent of those who went upon the land were without previous farming experience, and 30 per cent had 'no capital.' Among them were men from 63 occupations *other than farming*. There were two circus musicians, a paper-hanger, a sailor, a sea-going engineer, two wrestlers, two barbers, a cigarmaker, a race horse man, a bricklayer, an undertaker, a deep sea diver, six 'old maids,' a milliner, and a professional gambler. They came from 33 different states, but of those who had obtained any previous farming experience more than half are still on the land. The attempt of inexperienced and unfit men to succeed under conditions requiring a high type of agricultural ability and experience produced its natural results. North Dakota's rate of failure is traceable in part to the same conditions and in part to the persistent adherence to one-crop farming, lack of rotation, and to the attempt to farm too much land. It is also due in part to the failure to build up reserves against poor years—a policy which the Mandan Indians followed consistently for 300 years in that state, before they had even been discovered by the whites. The lesser rate of failure in South Dakota reflects increasing rotation and diversification, and the almost negligible rate in Minnesota indicates the degree in which the state has ceased to be a grain raising state, and the rate at which its agricultural methods have been improved.

Too Much Credit

"AMONG the causes of failure within the farmer's control, lack of business capacity leads all others. This includes deficient experience, lack of thrift, and lack of energy and application. Other causes in the order of their importance were, lack of capital, poor farming methods, too much land, and too much credit. It is interesting to note that in two-thirds of the cases of failure, additional credit in any form would have been of no assistance and would not have

In the northwestern grain area settlers with experience in deep sea diving, undertaking, making music for a circus, bricklaying, plastering and millinery sought to make a success of agricultural operations like those shown above

prevented disaster. This is corroborative evidence of the fact that the majority of failures are traceable to causes having no relation to banks or banking service, and which credit in any form has no power to reach. In fact, capable farmers generally agree that increased credit means nothing but increased debt, which sooner or later must be paid with interest added, and affords no prospect of leading them back to prosperity.

Acreages and Production in Relation to Failure

"WAR broke out in Europe just before the wheat harvest of 1914. The effect of the war was shown in the spring of 1915 by an increase in wheat acreage in the four states of 1,946,000 acres, and an increase in the aggregate production of 148,448,000 bushels. During the war years, 1915-1918, inclusive, the wheat acreage underwent a heavy expansion, averaging in the four states 16,553,000 acres annually. On the entry of the United States into the conflict, every agency and influence was brought to bear upon the farmer to urge him to increase his production, and he responded in a most patriotic and energetic way. But with the signing of the Armistice, there was no voice of authority to tell him 'The War Is Over—Reduce Acreages To A Normal Basis.'

"In fact, the planting of wheat in these states, amounting in the Armistice year, 1918, to 17,055,000 acres, was increased the following year, when the war was over, to 17,731,000 acres, and did not reach its peak until 1919, when 20,408,000 acres were planted, with a short crop of 132,227,000 bushels. In 1920, the acreage dropped back again to 17,513,000 acres, with a small decrease in 1921, and a gain again in 1922, but a drop in 1923 to a little less than the pre-war planting of 1914. In fact, 1923 was the first year in which northwestern farmers succeeded in bringing their wheat acreage to the pre-war level, and the return to a pre-war basis was not accomplished until five years after the end of the war. The corn acreage showed much the same course as that of wheat, rising gradually during the war, but reflects strongly the unsatisfactory return on wheat in the years since the Armistice, during which the acreage has risen one-third. This gain in all probability is permanent, as corn has been making inroads into what was formerly wheat territory.

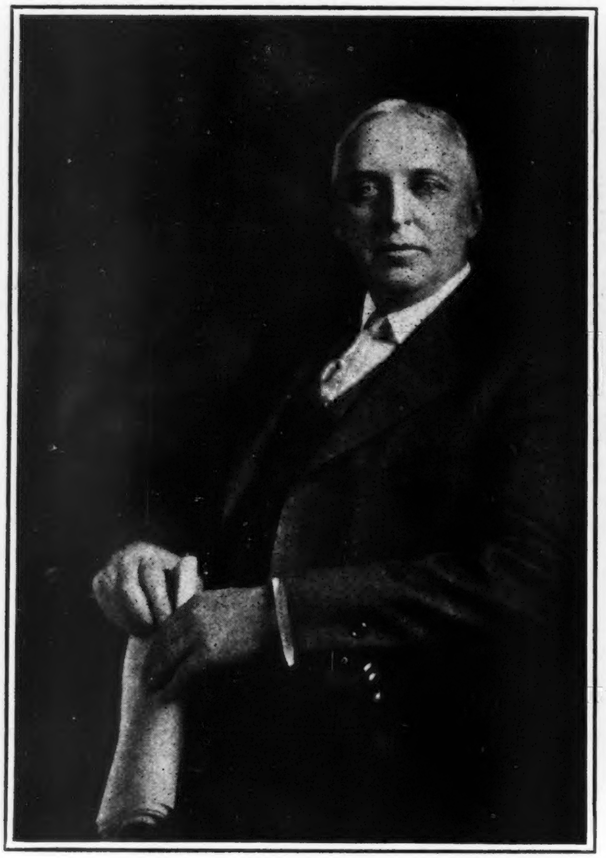
"No Lack of Foreign Market"

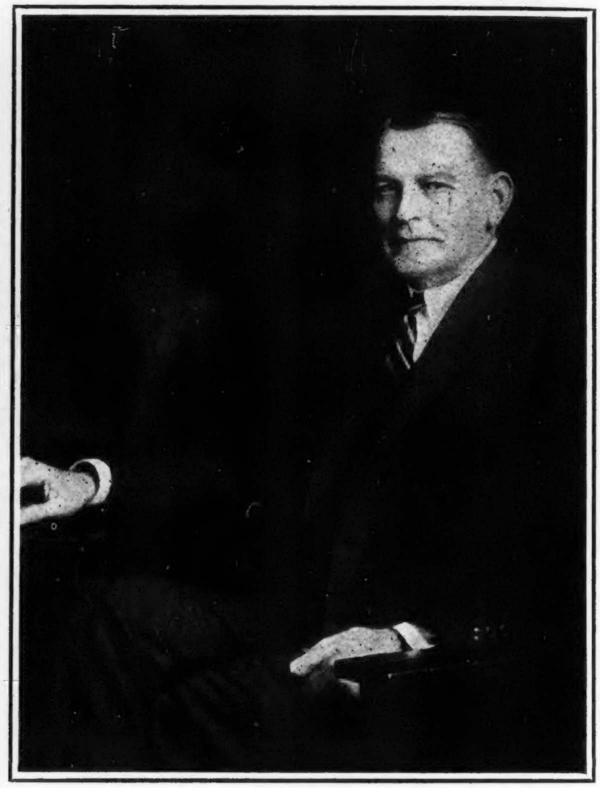
"THE crop acreage figures of 1922 and 1923 throw much light upon the manner in which the farmer has been meeting his problems. There was a reduction in wheat acreage in the four states in 1923 of 1,201,000 acres. There was a reduction in barley of 424,000 acres, and in rye of 555,000 acres, these decreases being compensated in large part by an increase in corn acreage previously referred to. In the years from 1910 to 1914, inclusive, an average of 56,913,227 bushels of wheat was exported annually together with an average of 10,678,635 barrels of flour. That there has been no lack of a foreign market is indicated by the exports of 208,321,091 bushels of wheat and 15,796,824 barrels of flour in 1922, an increase in wheat exports of 256 per cent and an increase in flour exports of 49 per cent, as compared with the five pre-war years. While market conditions were the principal factor in producing the substantial wheat acreage reduction, many farmers who were watching the course of exports noticed that the tendency during 1923 was for wheat, corn and barley to decline. For the year ending June 30, 1923, wheat exports fell from 208,321,091 bushels to 154,950,971 bushels. Corn fell off from 176,385,614 bushels to 94,064,053 bushels. Cornmeal and corn flour showed a moderate decrease from 776,207 barrels to 633,760 barrels. Barley fell from 22,400,393 bushels to 18,192,809 bushels. Rye, oats, oatmeal and rolled oats, showed an increase. There was an increase in rye from 29,683,602 bushels to 51,411,550 bushels, indicating the substitution of rye for wheat. The 1922 and even the smaller 1923 European demand for wheat does not indicate the failure of foreign wheat markets, which for the year ending June 30 last, were still very nearly three times as good as during the pre-war years, 1910-1914, inclusive. Flour enjoyed a one-third better market. The foreign market, while narrower than before, must, therefore, be eliminated from the causes of unsatisfactory wheat farming conditions. The declines in wheat and flour exports in 1923 must be considered in the light of the foreign exchange situation, the shipping situation, and the availability of wheat and flour supplies in countries competing with the United States. Of these factors, the difficulty in building up exchange in the United States against which to buy is one of the most important.

Labor Must Be Provided

"IT is strikingly apparent that any practical measures of farm relief in the northwestern area must include at one principal objective the creation of an adequate labor supply, preferably from the northern countries of Europe, such as was formerly available. Harmful results can hardly be expected from a liberalization of the immigration laws in this respect, since many thousands of farmers, who came as agricultural laborers, under the liberal laws of previous years, remained to become proprietors.

"It is of equal and perhaps greater importance that costs be brought down. Living costs, material costs, and cost of equipment and supplies, are still at a disproportionately high level as compared with farm revenues. The greater part of the existing discontent has its origin in this unbalanced relation. The farmer asserts with much justice that the process of deflation has worked its course in his business, but not in the businesses of those from whom he buys.





At the left, Edwin H. Cunningham and (right) G. R. James, recess appointees to Federal Reserve Board whose names have been sent to the Senate for confirmation.

Current Relief Proposals

"THERE is nothing new in the proposals which have come from agriculture for the relief of its depressed condition. It has been noted that during the reactions following the Civil War farmers turned to co-operative buying and selling, demanded reductions in the cost of transportation, and demanded that the United States Government increase the circulating medium. The proposals so far advanced in behalf of agriculture are identical with these, with the exception that, instead of asking for increased currency circulation, agriculture has asked for and received new credit machinery, such as neither the farmers nor any class of business in this or any other country have ever before enjoyed. This consists of the revived War Finance Corporation, the Federal land bank system, intermediate credit banks, national agricultural credit corporations, rediscount corporations, land loan and rural credit mechanisms of numerous states, joint stock land banks, liberalization of the powers of national banks to make farm loans, and a very important broadening in the discount powers of the Federal reserve banks as to agricultural and livestock paper. A former Secretary of the Treasury estimates that through new federal legislation alone five billions of dollars of credit have thus been made available to American farmers.

"As in the early 70's, there has been a revival of proposals for co-operative organization on a very broad scale. The success of co-operative enterprises in other parts of the country is cited as evidence that the co-operative plan which is at present popular may be applied with equal success to wheat. Whether the results of co-operative effort as applied to commodities growing within a limited area and differing from wheat, in their relation to world production and world markets, may be expected when applied to a grain crop, the price of which is governed by the surplus and fixed in Liverpool, is questionable. Very likely the result can only be determined by experiment. Co-operation in wheat involves business and organization problems of tremendous magnitude, since in the northwestern area alone wheat farmers numbering approximately 250,000 are scattered over a territory 1000 miles wide. It cannot be too forcefully repeated that the problem of the wheat farmer is not to organize for the handling and sale of the wheat he now grows, but to improve yields sufficiently to make wheat a business proposition.

"THE number of motor cars per thousand of population upon farms and in towns of less than 1000 people in the agricultural state of South Dakota is exceeded by only four states in the Union—Massachusetts, Rhode Island, the agricultural state of Iowa and the agricultural state of Nebraska. The number of motor cars on farms and in the smaller towns of North Dakota is exceeded by only five other states. South Dakota's cities and towns are unimportant industrially and have practically nothing behind them but agriculture. Yet in communities of more than 1000 people, the number of motor cars per thousand is the highest of any state in the Union. The agricultural states of Minnesota, North and South Dakota are among ten states of the Union leading in the number of motor cars per thousand of rural population. While a motor car is a convenience rather than a farm asset, the facts prove the ability of large numbers of farmers to indulge in conveniences and luxuries as well as necessities.

"Wheat is an easy crop," says Mr. Rich in conclusion. "It has maintained its dominating position at the expense of soil fertility through increment of land values and increase of the size of the mortgage. Its place now is in rotation with other crops. All of the evidence indicates that the conditions of the present are parallel to those after the Civil War and that parallel results must be anticipated. Agriculture has, however, the assurance of enormous co-operation, which the state of development in earlier years did not permit. It has adequate credit and lacks none of the services necessary to its success. What it needs most is better planning, more knowledge of the competing production of other countries and better business organization within itself."

Have Faith in America

By WALTER W. HEAD
President The American Bankers' Association

The Real Foundation **of Our Progress Is Not Material, but the Character of Our People and That in Turn Rests on Our Spiritual Faith. The Spirit with Which the Nation Has Made Great Progress Still Survives. We Must Have Faith.**

HISTORY teaches us that knowledge of past events is a necessary preparation for the forecasting of the future. We judge the future by the past. As bankers, we give or withhold credit because of our faith in the ability of the prospective borrower to repay the loan. We base our faith, or lack of it, upon the record of the applicant—his previous financial success, his reputation for prudence, diligence, perseverance and integrity, his proven ability to achieve, the proven worth of the principles by which he has governed his conduct.

As men and women interested in world events, in future history, in the heritage which our generation is to bequeath to our children, we base our judgments and our actions upon the same immutable law. We judge the future by the past—not by the obsolete, unyielding practices of the past but by the living, vital principles of the past. To these we turn necessarily for guidance. From these we draw inspiration. Upon these we build through gradual processes of evolution to new heights of achievement. When we discard the proven principles of the past, we fall victims of folly—due to ignorance; when we worship the outworn practices of the past, we atrophy and retrograde—lose ambition, lose hope. We progress only when we respect the valid principles of the past—striving always to apply them more intelligently.

Our faith in our country—in America—depends upon the fundamental integrity of the principles upon which America rests. Our faith in America—our United States of America—depends upon the willingness and demonstrated ability of our people to respect and maintain these principles—applying them always in new ways and with new force as necessitated by changed conditions, the result of the gradual evolution of society.

What has been America's record in the past? What, indeed, does it portend for the future? Are the principles of America well-founded, staunch and true? Has America progressed toward the goal set by her own citizens and by the standards of the world? If these questions are answered to our satisfaction, then we may look to the future with confidence—then we may have faith in America.

It is now 300 years since the landing of the Pilgrims—that hardy people whose courage, steadfastness and devotion to principle became the foundation of American national character. Seeking political and religious freedom unattainable in their mother country, this little band crossed the seas, endured privation and suffering, faced unknown dangers, overcame the handicaps imposed by man and by Nature. Through three centuries these pioneers and others of their kind, with their descendants—tempered and influenced by new generations of succeeding migration—have developed the American ideals which form today the soundest and yet the most vital principles followed and cherished by any people in all the world.

The proof lies in the record of our people—our forebears and our fellow countrymen.

Foundations Well Laid

FOR the first two centuries their progress was relatively slow, judged by goals reached and passed—although during this period firm and stable foundations were laid. In that time they conquered the physical handicaps imposed by Nature upon those who settled a new land, separated by 3000 miles of sea from the nearest civilized neighbor and, until 1776, from ruling governmental authority. In that time they built, from their own character and by their own intellect, a device for government and a code for personal conduct which, while true to the principles of the Past, constituted a new growth from seed that had long rested in barren soil.

Upon this foundation, so painstakingly and so firmly laid, we have—in the last one hundred years—erected a superstructure of achievement at which we marvel when we gaze upon it—it is little short of amazing.

One hundred years ago, lacking a year, Lafayette — that great Frenchman who crossed the sea to help make America free—re-visited America, after an absence of more than forty years. He found the United States a nation of little more than ten million people—less than one-tenth the present number. The territory then under the Stars and Stripes embraced less than 1,800,000 square miles instead of the present 3,700,000. Half of that which we then possessed had been acquired by the Louisiana Purchase of 1803 and was still, in 1823, a wilderness of unsettled plain, plateau and mountains. Florida had just been acquired from Spain, but all of that great southwest territory—including Texas, Arizona, Nevada, California and parts of Colorado and New Mexico—was still under Spanish rule. The territory now comprising Washington, Oregon and Idaho was claimed by both the United States and Great Britain. It was uncharted, almost unexplored. New York City had a population of only 150,000 people.

The Progress of a Century

IN 1823, only one hundred years ago, the world was still agog over the recent passage of the "Savannah", an American sailing vessel equipped with paddle-wheels propelled by steam, from New York to Liverpool in twenty-six days. Today we boast of a trans-Atlantic airplane crossing that required but few more hours than the "Savannah" required days. In 1823 a "reform" movement in New England extended the right of suffrage to all taxpayers, regardless of the amount of their property; not until years later was the voting power given to men who did not own property, and woman suffrage was not even the subject of dreams, much less of serious debate. Connecticut, New Hampshire and Maine had just released their citizens from compulsory support of a state church, but Massachusetts did not reach this state of tolerance for another ten years.

One hundred years ago the total national wealth was less than a billion dollars, less than $100 per capita; today the national wealth exceeds 300 billion dollars—an average of almost $3,000 per capita. In 1821 there were ten savings banks with 8635 depositors, with $1,138,000 on deposit; one hundreds years later—in 1921—over thirty million depositors had more than $18,000,000,000 in savings deposits. The total receipts of the federal government in 1823 were $20,500,000, the total expenditures were $14,700,000. Last year our national income and expenditures each exceeded $3,500,000,000.

One hundred years ago there were no railroads, no automobiles, no airplanes. There were no telephones, no telegraph lines, no cables. There was no gasoline, no kerosene. There was no income tax. The first temperance society was only ten years old, and the first state prohibitory law was not written into the statute books for another thirty years.

What progress one hundred years have brought!—progress attained by gradual steps, progress achieved by severe toil of brawn and brain, at times interrupted by periodical set-backs, at times the result of controversy, at times the result of compromise—sometimes purchased with the blood of the nation's manhood.

There are those among us who regard the present as a period confronted with unprecedented problems, a period beset by perils heretofore unequalled. There are those who express doubt of our ability to make further progress—some even who profess to foresee the destruction and disinte-

gration of our social, political and economic structure. In the light of achievements that have been wrought in the past by firm adherence to true principles, in the light of the tremendous resources our country now controls, immeasurably greater than at any previous period of its history—in the light of all these things, I ask of you: What justification can men have today for expressing doubt of America's future!

Our Resources

WE have today 110,000,000 people, occupying 3,700,000 square miles of territory and possessing wealth estimated at 300 billion dollars. Our bank deposits aggregate approximately 40 billion dollars. Outstanding life insurance amounts to over 70 billion dollars. Our 500 million acres of improved farm lands are valued at 77 billion dollars (1920 census). We have over 24 million milch cows and 40 million head of other cattle—approximately 40 million sheep—and over 60 million swine. In a single year we have produced over 3 billion bushels of corn, in a single year we have produced over one billion bushels of wheat. The value of our manufactured products in a single year has exceeded 60 billion dollars; our annual production of crude oil has exceeded 23 billion gallons. We have wealth untold in our forests, in our mines of iron and coal. We have over 250,000 miles of railroad with which to transport ourselves and our articles of commerce; we have over 250,000 miles of commercial telegraph lines and 800,000 miles of telephone lines to afford us communication; we have 20,000 daily and weekly newspapers to disseminate information and to bind our people together by ties of common knowledge and for a common purpose. We have resources of labor so abundant that we have placed an artificial check upon immigration, and still we receive each year from foreign lands 300,000 new Americans.

Our resources are incomparably great. Each time that we anticipate their exhaustion, new resources are found or new means are developed for greater utilization of those previously discovered. Unprecedented demand for gasoline brings not famine but new supplies of petroleum and tremendously more effective methods of refining it.

The Character of Our People

THESE things are our material resources —wealth placed before us with which to sustain life—with which to achieve our destiny. They constitute a basic element, which we frequently overlook under the pressure of immediate events. They constitute the basic material element—but the real foundation of our progress is not material. It is that other, more valuable resource—the capacity and character of our people. To that we owe the discovery and development of our natural resources, their use and their conservation; to that we owe the establishment and development of a nation founded on ideals of equal rights, ideals of equal opportunity, ideals of equal responsibility, which remain today untarnished, which now shine forth with greater luster than ever before.

The character of our people is a spring which has never run dry. From it has come the patience and the wisdom which have reconciled effective authority and adequate liberty. From it has come the tolerance which has preserved freedom of speech, of press and of pulpit. From it has come the foresight which established free public schools and made education the shibboleth of progress. From it has come the courage which commanded adherence to principle at the cost of selfish gain, even at the cost of life itself. From it has come the respect for the rights and privileges of one's fellow man which has found expression in guarantees of equal representation and universal suffrage.

The character of our people, I say, is a spring which has never run dry. It has had its source ever and always in the stern and firm faith of the Pilgrim fathers—a political faith based upon and grounded in the tenets of the Christian religion. Despite every other influence, the strong and steady current of the Pilgrim's faith has persisted through generation after generation. Sometimes the stream has been momentarily polluted, sometimes its course has been temporarily altered, but through a period of years the character of our people has remained pure and unsullied—capable of achievement—true to its ideals.

It is this invaluable resource—the capacity and character of our people—that has made America great in the past, that will make America greater and more powerful in the future.

Possessed of these great resources—I say in the utmost seriousness and with an abiding faith—that as long as we uphold our established standards of belief and conduct, we need have no fear for the future of America.

Today, quite true, we are confronted by many perplexing problems—at home and abroad. Our social, economic and political structure functions still imperfectly. We still have much to learn, much to accomplish, wrongs to right, perfection to achieve.

But what crisis today compares with that of 1787, when thirteen weak, new-born sovereign states struggled against mutual jealousies, were handicapped by inadequate transportation, inadequate communication, were crushed by debt—yet were forced by grim necessity of self-preservation to consider and to perfect some form of united government! What crisis today approaches that of 1861-1863, when the nation was split upon a moral issue, when civil war shed the blood and took the lives of our best manhood, when the federal treasury begged for financial support, when men of influence and power declared the Union to be in the throes of death.

Great Crises Overcome

OUT of these two great crises the Nation came forth triumphant. From the Constitutional Convention of 1787 there came a document which set a new mark in the history of human governments. With what seems today to have been incredible wisdom, with what seems now to have been divine inspiration, the very jealousies of states for sovereign rights, the very fear of men newly freed from despotic rule to relinquish any part of their power to a central government, brought compromises which created a national government strong and stable. From the strife and hates of civil war there came a nation spiritually dedicated anew to ideals of freedom—consecrated anew to ideals of freedom for the individual as well as for the state. Indeed the nation's afflictions became the source of new strength.

Our nation today is not perfect, our people are not perfect. But who can say that we are not striving ever toward perfection—and that we are not achieving success in greater measure than any other people. We have but to look abroad to other lands to measure our own success. We do not rejoice in the misfortune or failure of others, but, in this imperfect world, we must measure progress not merely by what ought to be, but by what has been and by what is. We must get our bearings not merely by measuring our approach to the goal—which may be so far distant that the slow progress of mortal man indeed may seem discouraging—but also by comparing our present position with what it has been and with the present plight of others. Measured by these standards, we have made progress.

"One Generation Passeth—"

WE have made progress, great progress —and the spirit which achieved still achieves. Panaceas do not work miracles, but toil, toleration and cooperation make for progress. As we view the present in the light of our past history, we must agree with the sentiment expressed by William Maxwell Evarts, that great New York lawyer, statesman and orator, who delivered the principal address at the celebration of the one hundredth anniversary of the Declaration of Independence, at Philadelphia, July 4, 1876. Mr. Evarts said:

"We cannot hesitate to declare that the original principles of equal society and popular government still inspire the laws, live in the habits of the people, and animate their purposes and their hopes. These principles have not lost their spring or elasticity. They have sufficed for all the methods of government in the past; we feel no fear for their adequacy in the future. Released now from the tasks and burdens of the formative period, these principles and methods can be directed with undivided force to the everyday conduct of government, to the staple and steady virtue of administration.

"The feebleness of crowding the statue-books with unexecuted laws, the danger of power outgrowing or evading responsibility, the rashness and fickleness of temporary expedients, the constant tendency by which parties decline into factions and end in conspiracies, all these mischiefs beset all governments and are part of the life of each generation. To deal with these evils, the tasks and burdens of the immediate future, the nation needs no other resources than the principles and the examples which our past history supply. These principles, these examples of our fathers, are the strength and the safety of our state today.

"Unity, liberty, power, prosperity—these are our possessions today. The spirit of the nation is at the highest—its triumph over the inborn, inbred perils of the constitution has chased away all fears, justified all hopes, and with universal joy we greet this day. We have not proved unworthy of a great ancestry; we have had the virtue to uphold what they so wisely, so firmly established. With these proud possessions of the past, with power matured, with principles settled, with habits formed, the nation passes as it were from preparatory growth to responsible development of character and the steady performance of duty. What labors await it, what trials shall attend it, what triumphs for human nature, what glory for itself, are prepared for this people in the coming century, we may not presume to foretell. 'One generation passeth away and another generation cometh, but the earth abideth forever', and we reverently hope that these, our constituted liberties, shall be maintained to the unending line of our posterity and so long as the earth itself shall endure."

These words were spoken nearly fifty

years ago. They were prophetic. Truly, the nation, since that time, has passed "from preparatory growth to responsible development of character and the steady performance of duty." In successive cycles of alternate advancement and recession, the nation has ever reached higher levels. Its principles have not "lost their spring or elasticity." Today, as then, despite all temporary difficulties, despite fleeting discouragements, despite occasional disillusionments, we can feel, as did Evarts, that "with universal joy we greet this day"—knowing that when tested by the history of the past, it carries the promise of a greater and better day to come.

Sound Principles Triumph

THE fundamental principles upon which we have reared this nation are sound; that has been demonstrated and proven by the past. As long as we remain true and faithful to such principles, we need have no fear. They need not be altered, although we must be alert always to apply them intelligently to new conditions. That generation lives without real achievement which does not strengthen the belief in—and extend the application of—the principles which experience has tried and proven true and dependable.

Our faith in the future of America is dependent upon one thing and one thing only—our determination and our ability to maintain and vitalize the principles which made the America of 1776, which made the America of 1861, which made the America of 1917 and which are making the America of today. That we can do only if we consecrate ourselves to the faith which inspired these principles, only if we give ourselves and dedicate our nation to the service of Him who creates all men and all nations.

Our material prosperity rests upon the character of our people and that, in turn, rests upon our spiritual faith. If we are to carry on and perfect the structure which our fathers have built, we must have faith—we must devote ourselves unreservedly to the ideals exemplified by the life of the lowly Nazarene. We must believe in them; we must believe in Him. We must practice them; we must follow Him. Then only can we be certain of our goal and certain of our progress.

As long as we are inspired by that spirit—as long as we preserve individual freedom, as long as we preserve individual responsibility, as long as we preserve the opportunity for individual achievement—as we have done and are still doing—just that long can we, with confidence, look forward to a better day—just that long can we, with justification have faith in America.

The New Banking and Currency Committees

SWEEPING changes have been made in the ranks of the two Congressional committees which will deal with financial legislation at the sixty-eighth session. But yet, at the very outset, there are reassuring indications that whatever banking laws are enacted will be evolutionary rather than revolutionary in character. For, while there has been an impressively large infusion of new blood into the committees and the balance of power is so slight that it may be turned by a shifting of a vote or two, there is no evidence of the prospective passing of the proverbial conservatism which has marked the deliberations of the two groups. Assurances have already been forthcoming from the leaders that the banking world has nothing to fear in the line of radical or hurtful financial legislation.

The gains scored by the minority party in the last elections are visibly reflected. The administration's forces on the Senate Committee on Banking and Currency have been reduced from nine to eight, while the Democrats have increased their representation from six to seven. On the House Committee on Banking and Currency, there are now twelve Republicans and nine Democrats, instead of a majority membership of fifteen and a minority strength of six.

While Senator George P. McLean of Connecticut will continue to direct the activities of the Senate committee, and Representative Louis T. McFadden of Pennsylvania will serve again as chairman of the House committee, there will be a strikingly large number of new faces gathered around the long tables in the committee rooms where the real work of Congress is done, to collaborate with the seasoned veterans in framing legislation. And, likewise, there will be missing figures, who have been more or less prominent in the past achievements of the committees. The upsets of the last election encompassed the defeat of Senator Hitchcock of Nebraska and Senator Pomerene of Ohio, who had three full terms to their credit, while Senator Page of Vermont retired voluntarily to private life after sixteen years in the Senate.

The new Senate Committee on Banking and Currency will be composed as follows:

George P. McLean, Connecticut, chairman.

Republicans—Ovington E. Weller, Maryland; Peter Norbeck, South Dakota; Samuel M. Shortridge, California; Walter E. Edge, New Jersey; George Wharton Pepper, Pennsylvania; *Lawrence C. Phipps, Colorado; *Frank L. Greene, Vermont.

Democrats—Robert L. Owen, Oklahoma; Duncan U. Fletcher, Florida; John B. Kendrick, Wyoming; Carter Glass, Virginia; *Edward I. Edwards, New Jersey; *Hubert D. Stephens, Mississippi; *Alva B. Adams, Colorado.

The new House Committee on Banking and Currency will have the following members:

Louis T. McFadden, Pennsylvania, chairman.

Republicans—Edward J. King, Illinois; James G. Strong, Kansas; Robert Luce, Massachusetts; Clarence MacGregor, New York; E. Fenn Hart, Connecticut; *Guy E. Campbell, Pennsylvania; *Elmer O. Leatherwood, Utah; *Carroll L. Beedy, Maine; *William Williamson, South Dakota; *Morton D. Hull, Illinois; *Arthur B. Williams, Michigan.

Democrats—Otis Wingo, Arkansas; Henry R. Steagall, Alabama; Charles H. Brand, Georgia; William F. Stevenson, South Carolina; Eugene Black, Texas; T. Alan Goldsborough, Maryland; *Charles A. Mooney, Ohio; *Anning S. Prall, New York; *Henry C. Canfield, Indiana.

While four "first termers" gained appointments on the House committee, the same number of new Senators were placed upon the Senate committee. However, they are by no means novices in the realm of public affairs or in the financial world. One of the outstanding members is Senator Edwards of New Jersey, who is president of the First National Bank of Jersey City and a banker with years of experience. As Comptroller of New Jersey, Senator Edwards established the "pay-as-you-go" fiscal policy and was rewarded later by the electorate in being elected Governor. Senator Stephens of Mississippi served four terms in the House of Representatives before being elevated to the Senate. Senator Adams of Colorado is a lawyer of Pueblo, who was appointed by the Governor to fill out the unexpired portion of the late Senator Nicholson's term. Senator Greene of Vermont comes to the Senate after years of contact with the public in the rôle of a newspaper editor. Senator Phipps of Colorado is a multimillionaire who left school to enter one of Carnegie's iron mills, forging his away ahead until he retired as vice-president and treasurer of the Carnegie company at the time of its absorption by the United States Steel Corporation.

Among the newcomers in the House Representative Williams of Battle Creek, Mich., is former vice-president and general counsel of the Postum Cereal Company and a man of broad business experience. Representative Hull of Chicago is a graduate of the Harvard law school and president of a large contracting and engineering firm. Representative Prall of New York is a business man as well as a former commissioner of taxes and assessments in the nation's largest city. Representative Canfield of Batesville, Ind., is a furniture manufacturer, although he admits an abiding interest in farming and banking.

The other new members have been in Congress for one or more terms. Representative Guy Campbell of Pittsburgh was for many years in the general insurance business, but later was interested in independent oil and gas operations. Representative Leatherwood of Utah and Representative Beedy of Portland, Me., are lawyers, while Representative Williamson of Tacoma, S. D., was a country newspaper editor, a lawyer and a circuit judge before coming to Congress. He writes he "is interested in farming, banking and title abstracting, and pursues horticulture as a hobby." Representative Mooney of Cleveland, who served one previous term in the House, is state agent for a large mutual life insurance company.

*New members.

Must We Slow Down If Europe Does Not Come Back?

By FRANCIS H. SISSON
Vice President, Guaranty Trust Company of New York

Export Trade Conditions Reassuring. Reason for Optimism in the Consumptive Power of an Industrious Population of Over One Hundred Million But it is to the Self Interest of the American People to Have Overseas Countries Regain Prosperity.

THE economic and financial depression of Europe continues to command the keen interest of the whole world. The realization of the hope that there might soon be a return to relatively normal conditions of production and consumption in Europe has been long deferred, and there still remain so many adverse political and social influences that it is difficult to maintain a spirit of optimism as to the early rehabilitation of prosperity on the Continent. And if we assume that the present situation will be considerably prolonged, it is evident that the United States should perhaps question anxiously what may be the further reactions of this depression upon financial, commercial and industrial affairs in America. Will the plight of Europe inevitably, in the course of time, force a diminution of our own activities, with a consequent lowering of the standards of living here and the restriction of our prosperity?

It may be timely, therefore, to analyze the existing situation in the United States and to estimate the degree of its susceptibility to the influence of European misfortunes. When such an analysis is made, it seems to justify the conclusion that, relatively, the United States is so strongly buttressed by its natural advantages and so largely self-contained as an economic and financial unit that it is likely to be comparatively immune from the serious effects upon other countries occasioned by the European situation. The most direct interest which is closely related to the condition of European consuming markets is, of course, our foreign trade. When these markets in Great Britain and on the Continent were in normal activity, they absorbed between 60 and 70 per cent. of American exports. The average for the five years immediately preceding the war was 62.3 per cent. In 1915, they imported 72 per cent. of the exports from the United States. Since 1919, however, the proportion has been declining sharply. It fell to 53 per cent. in 1921, 54 per cent. in 1922, and for the first nine months of 1923 the percentage was about 48 per cent.

Present and Pre-War Exports

NEVERTHELESS, in comparison with pre-war averages of exports to Europe, the volume of our present trade is not diminished, while the value has increased materially. Considering the extremely adverse conditions that have existed in Europe during recent years, these facts indicate that the United States is likely to retain a fairly satisfactory volume of trade with the Continent, and even if the present depression there should become more acute, a further favorable factor lies in the large proportion of more than one-fifth of our total exports that are taken by the United Kingdom—which, in spite of all present difficulties, still remains one of the most stable countries financially and industrially.

While our exports to Europe this year have fallen off more than $100,000,000 in value from the figures of 1922, they show an increase of over $250,000,000 in goods shipped to other than European countries. Furthermore, 1923 will show not only an export increase but, in spite of a great increase in imports, a favorable trade balance. The very fact of chaotic economic conditions in Europe has to some extent created export opportunities for us elsewhere.

America's Economic Prosperity Not Shaken

But it is when we turn our attention to the spectacle of the unparalleled wealth and teeming activities of our own country that we are most hopefully reassured of the essential stability of the nation's economic prosperity and of its exceptional powers of resistance to the adverse influences of depression abroad. The experiences of the last few years have emphasized the enormous capacity of the United States for almost unlimited production of raw materials, food and manufactures, and the corresponding consumptive power of a homogeneous and industrious population of more than one hundred million, with standards of living higher for every class than are found in any other nation.

While the facts justify the belief that the financial and general economic strength of the United States is so great that it creates a stability here which cannot be seriously shaken by the adverse conditions in Europe, it still remains true that an attitude of indifference to these distressing conditions is unworthy of the American people. In fact, we believe that such indifference does not exist. The nation is observing with deep interest the progress of events abroad and has given many evidences of a readiness to aid in restoring normal conditions there whenever it is seen that a suitable opportunity is afforded.

Our people have naturally been reluctant to act while the European nations still fail to display the will to accept the only terms on which rehabilitation is possible, and abandon their mutual hatreds and distrusts, their persistence in preparation for further warfare, and their destructive political and financial policies. Such policies have so weakened the credit of some of the continental nations that the task of aiding them seems futile until it is clear that these policies are discredited and disowned by them.

Where Our Interest Lies

ALTHOUGH it seems clear from the record of recent years that America, more perhaps than any other country, has been and will continue to be able to adjust itself without serious disaster to the conditions created by European depression, and has in its own vast domestic market and in other non-European markets an outlet for its products adequate to maintain a fair degree of national prosperity, the fact remains that it is very definitely to the selfish interests of the United States to have Great Britain and the European continental countries regain their normal prosperity at the earliest possible date. Moreover, the rich contribution which Europe has made in the past to the upbuilding of other parts of the world, including the United States, would seem to create a genuine obligation upon other countries to come to its aid in the present period of difficulty. General well-being throughout the entire world will be diminished to a degree as long as Europe is unable to play its part in production and consumption of valuable products. It possesses vast resources of skill and equipment for the production of useful commodities in demand by all nations, and loss continues while these resources are limited in their use by poverty and by adverse political and social conditions.

That the share of the United States in this loss is relatively small should not preclude an active interest in every promising effort that may be made to restore the European nations to economic and financial health.

Forty-nine Achievements in Thrift

Each Pays Perpetual Dividends. Among Them is the Idea of the Thrift Campaign which Begins on Benjamin Franklin's Birthday, January 17. A Synopsis of the Things Accomplished by the First American Exponent of Thrift in all Things.

THE week of January 17 to 23, inclusive, has been designated as National Thrift Week and for each day there has been assigned a special task for consideration and execution. In order these are: "Thrift Day," "Budget Day," "Pay-Bills Day," "Share-With-Others Day," "Life Insurance Day," "Own-Your-Own-Home Day," and finally, a "Make-Your-Will Day."

All of this is commendable, but it is possible that we overlook a big item in thrift, and that is, thrift and economy in attention.

Nothing comes into our lives excepting through the gateway of attention, consequently all manner of waste comes to us through that same small gateway, and thrift, or shiftlessness gains the upper hand only because that gateway is closely watched and undesirables kept out or left wide open for whatever may wander in.

It is therefore worth while, as a matter of useful commercial information, to renew our acquaintance with the life of the first American who knew the value of attention, wisely exercised that faculty, and in consequence left behind him a legacy so great that probably every person who reads these lines is at the present moment enjoying some of the benefits of this man's work.

Because of his practice of thrift in attention, Benjamin Franklin achieved forty-nine distinct services which even now, two hundred years after his arrival in Philadelphia, are radiating their benefits not to a nation, but to the whole civilized world. In *"A Pictorial Life of Franklin,"* published by Dill & Collins of Philadelphia, to commemorate Franklin's arrival in the Quaker City, Brad Stephens has compiled a list of Franklin's achievements:

Discovered Lightning Is Electricity

1. FRANKLIN discovered that lightning is electricity. The world believed up to his time that lightning was caused by poisonous gases exploding in the air. Franklin proved, first by observation and logic, and second by actual test with his kite, that lightning and electricity are identical.

2. Franklin invented the lightning-rod which the late Dr. Charles P. Steinmetz of the General Electric Company said is still the best and most reliable protection we have against lightning.

3. Franklin was the first to discover that a current of electricity has a magnetic effect, *i. e.,* that it can magnetize a piece of steel. He found that a wire carrying a current of electricity and wound around a piece of iron, makes the iron a magnet. This is the fundamental principle on which the telegraph, the telephone and the electric motor are based.

4. Franklin gave the world the best theory of electricity. After more than 150 years of further investigation and controversy, modern science has finally adopted his early conclusions. These were that electricity consists of very minute particles, so small that they can pass between the atoms of ordinary matter. He believed that these minute particles of electricity, or atoms of electricity, repel each other and are attracted by the atoms of ordinary matter. His idea was that the phenomena of nature are due to the actions and reactions of atoms of electricity with atoms of ordinary matter. This is precisely the view held today by men of science. Within the last thirty or forty years scientific men have been able to isolate and study in detail these atoms of electricity, which are now called electrons. It is by means of these electrons that we send wireless telegraph and telephone messages, and are able to broadcast concerts and speeches so satisfactorily.

Invented Wood Burning Stove

5. HE invented the Franklin stove, the first successful wood-burning stove used in this country.

6. He invented double spectacles—near and far-sight glasses—making a pair for his own use.

7. He invented and made the first mangle for ironing clothes, and General George Washington witnessed a demonstration of this machine.

8. He invented the invaluable contrivance by which a fire consumes its own smoke, and made the first smoke-consuming stove or furnace.

9. He was instrumental in establishing 18 paper mills in the American Colonies.

10. He helped to establish the first fire insurance company in America. The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire.

11. He invented a copying press for taking copies of letters or other writing.

12. He pointed out the advantage, later adopted universally, of building ships with water-tight compartments, taking the hint from the Chinese.

13. He was the first to discover that Northeast storms come out of the Southwest, in other words, that storms travel in an opposite direction to the winds.

14. His investigations concerning the weather resulted in the establishment of our United States Weather Bureau of which he is today acknowledged to be the father.

15. He was the first to discover that the temperature of the Gulf Stream is higher than that of the surrounding water, and the first to have the Gulf Stream charted.

16. He delivered mankind from the nuisance, once universal, of smoky chimneys. His pamphlet, "Cause and Cure of Smoky Chimneys," revealed the correct principles of chimney construction and rid the world of smoky chimneys and fire places.

17. He was the first to demonstrate that oil on the water will still the waves.

18. Although not the discoverer, he was the first to demonstrate the production of cold by evaporation, a fact up to that time unknown to science.

19. Franklin devised a reformed alphabet which was based on simplified or phonetic spelling.

20. Franklin was the first to propose daylight saving.

21. Franklin helped Thomas Jefferson to write the Declaration of Independence.

22. Franklin organized our postal system and was our first postmaster general.

23. Franklin founded the University of Pennsylvania.

24. Franklin conceived the idea and established in Philadelphia the first successful circulating library.

25. More than any other man, Franklin was instrumental in securing the repeal of the Stamp Tax.

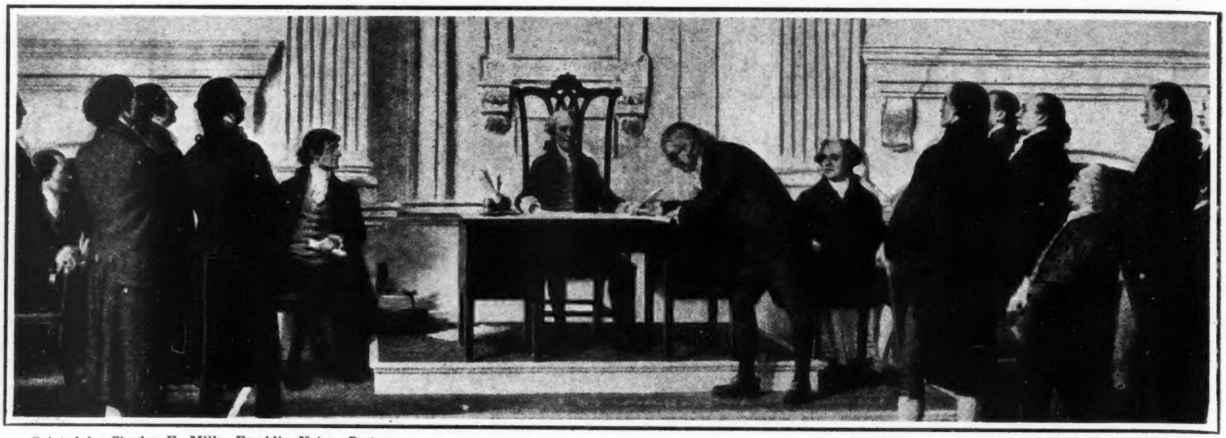
26. He invented the Harmonica, or Armonica, as he called, which was a musical instrument consisting of a series of circular glasses revolving on a spindle and partly immersed in water. The music was produced by holding the fingers against the revolving glasses.

27. Franklin made tests of various colored cloths on snow which showed that black and dark colors attract the heat of the sun and that white does not attract the heat. He made recommendations regarding white clothes for the tropics and white cloth helmets for the troops in India which were adopted many years later by the British.

Early Advocate of Fresh Air

28. FRANKLIN was the originator of the modern science of the art of ventilation. He was the first to discover the poisonous quality which repeated respirations impart to the air in a room. He was the first to call attention to the folly of excluding fresh air from hospitals and sick rooms. When all the world slept with bedroom windows tightly closed, Franklin was the only effective preacher of the gospel of pure air and ventilation; and John Adams maintained that Franklin was a victim of his own foolish theories about air bathing.

29. Franklin introduced rhubarb into America. He suggested the use of mineral



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Franklin Signing the Declaration of Independence.

fertilizers. He promoted the silk culture in Pennsylvania. He introduced the yellow willow into America for basket-making. He taught the farmers of Pennsylvania to plaster their land. He introduced broom corn into Pennsylvania from Virginia. He introduced Rheinish grape-vines into Massachusetts.

30. Franklin organized the first anti-slavery society and made the first protest to Congress against negro slavery. His last public act was to write against slavery, twenty-four days before he died, one of his most telling satirical pieces for the *Federal Gazette*.

31. Franklin edited the best newspaper and the most successful newspaper in all the colonies. He was the first to attempt to illustrate the news in an American newspaper, and also the first to publish questions and answers in a newspaper. He is said to have drawn the first newspaper cartoon, the picture of a snake cut into thirteen sections to represent the colonies before the Revolution.

32. With Lord Despencer, Franklin revised the Prayer Book of the Church of England. This was not adopted in England but was later adopted in part in America. Franklin's purpose was, as Parton says: "To extinguish theology, which he thought divided and distracted mankind to no purpose, and to restore religion, which he believed tended to exalt, refine, unite, assure and calm the anxious sons of men."

Founded Democratic Party?

33. PARTON says that Franklin was the founder of the Democratic party in American politics, that great party which Parton maintains was always right on every leading issue throughout all the early years of the Republic.

34. In the war with France in 1758, Franklin suggested to the British Government the idea of an expedition against Canada. The British finally sent Wolfe to Canada, Quebec was captured, and Canada became a British province.

35. Franklin's suggestion regarding our copper coins was never adopted. He proposed that they should bear on one side the proverbs of Solomon, and sayings that would encourage thrift, such for example as the following—"The fear of the Lord is the beginning of wisdom," "Honesty is the best policy," "Plough deep while sluggards sleep," and "Diligence is the Mother of good luck."

36. Franklin offered to pay personally for the tea dumped in Boston Harbor in order to secure the repeal of the Stamp Tax. This would have cost him about $75,000.

37. Lord Chatham said before Parliament that Franklin was "an honor not to the English nation only, but to human nature."

38. Franklin started the first thrift campaign, and that campaign is still going on. His maxims of Poor Richard did more to encourage thrift and industry in the colonies than any other one thing, and they were circulated all over the world. Sargent says that they have been more often translated and printed than any other work of an American author.

39. "Franklin," says Parton, "was the first to turn to great account the engine of advertising, now an indispensable element in modern business."

"Father of All Yankees"

40. FRANKLIN'S work in establishing the independence of our country in the very beginning was so important that he was the one who was first called the Father of His Country. That title years later passed to Washington, but Carlyle said that Franklin was "the father of all the Yankees."

41. Of all the patriots, Franklin was the only one to sign all four of the great state papers that achieved our independence—the Declaration of Independence, the Treaty of Alliance with France, the Treaty of Peace with England, and the Constitution of the United States.

42. Franklin was our greatest diplomat and secured for us the aid of France in the Revolution and millions in money without which our independence at that time could not have been established.

43. Franklin devised the first scheme for uniting the colonies, more than twenty years before the Revolution, and his plan of confederation was finally adopted in all its essential features and binds our Union together today. If this plan had been carried out when Franklin proposed it, he believed it would have prevented the Revolutionary War, and would have secured our independence without a single battle.

44. If Franklin did not originally suggest the Continental Congress, he was one of the very first to approve it. Long before the majority in the Continental Congress could see the wisdom of his purpose or were even willing to consider the idea, he prepared the first plan of confederation of the colonies to be presented to that body, and suggested a name, "The United Colonies of North America."

45. Parton says that the greatest event in Franklin's life was his deliberate and final choice to dedicate himself to virtue and the public good.

46. Who ever did more for a city than Franklin did for Philadelphia? He caused the city to be paved; he invented a better type of street lamp for lighting the city; and he organized the first street cleaning. More than this, he reorganized the antiquated city watch and caused the city to be efficiently policed; and he established the first fire engine company to protect the city from fire. More than this, he established there the first academy, the first library and the first hospital. More than this, he organized the first militia in the Province of Pennsylvania to protect the city of Philadelphia and other places from attacks by French and Spanish privateers and by Indians.

47. Franklin made a comfortable fortune in the printing business in twenty years. He retired from active business at forty-two years of age so as to be able to devote the remainder of his life to scientific study and "to doing good."

Compromise Idea Saved Union

48. IT was Franklin's compromise idea regarding the Senate and the House of Representatives that saved the Constitution. The delegates to the Constitutional Convention in Philadelphia were irreconcilably divided over the question of how the states should be represented in the Congress. The smaller states wanted to be represented as states on an equal voting basis with the states of larger population. And the larger states were resolved to be represented only by population. Franklin himself was for one national legislative body only, and that body

to represent the states according to their population. But when danger threatened the establishment of the Constitution and the United States of America, he gave up his own wishes, and proposed what Parton says was the "happiest political expedient ever devised," a Senate to represent all the states equally, and a House of Representatives to represent the states according to their population.

49. Franklin's last great work for his country was in the Constitutional Convention which met in Philadelphia in May, 1787. Although now eighty-one years of age and part of the time so weak in his legs that he had to be carried to and from the Convention in a sedan chair, he attended regularly, five hours a day for more than four months. At the suggestion of Washington, the delegates greeted him standing. Washington in the chair and Franklin on the floor worked together. They carried the Convention through in spite of obstacles and differences of opinion that, but for them, would have proved fatal to the establishment of the Constitution at this time. With a few words or a humorous story, Franklin would demolish a long opposing speech of a delegate, or ease the situation over a critical period. Several times, it is said, the delegates broke up to return home, but Franklin got them together again and persuaded them to continue. At one time when it seemed that the Convention must dissolve without accomplishing anything, Franklin offered his famous resolution for prayers, saying that in the beginning of the contest with Britain the Continental Congress had offered daily prayers "in this room" for Divine protection, and that these prayers were heard and graciously answered.

"I have lived, sir, a long time," he concluded; "and the longer I live the more convincing proofs I see of this truth: *That God governs in the affairs of men.*"

The resolution was not adopted, but prayers are now offered in the Senate and the House of Representatives, in all our state legislatures, and in most legislative bodies throughout the world.

The Mexican Revolution and the Finances of That Country

By G. BUTLER SHERWELL

THE advances made on the road to more democratic political machinery by most of the Latin American countries since their establishment as independent units appear to have taken a most harmful turn in Mexico.

If the political disturbances which have affected that country since 1911 had been due to occasional misunderstanding between the newer elements coming forward in the administrative circles, with new ideas based on sound and sane principles, it could be hoped that all the recent upheavals would produce a dissemination of political education. But the radical color which has characterized the latest Mexican disturbances foreign to this continent has produced a chaotic situation, which at present appears to be more difficult to solve than at any other period since the Madero revolution.

The de la Huerta uprising did not come as a surprise. For some time rumors have been heard from all circles in Mexico about a division in the radical party supporting the Obregón Government. This movement is of considerable importance from the financial point of view, since Sr. de la Huerta was at the head of the finances of the country until about two months ago. His successor made serious charges against his administration of funds, but subsequent development seems to have proved that the former's actions was justified, in view of the difficult position of the Treasury due to a considerable decrease in revenue.

To analyze the possible effect which this new revolutionary movement is likely to bear upon the financial situation of the country, consideration must be given to the fact that, contrary to optimistic expectations, the resumption of diplomatic intercourse with Mexico did not bring about a resumption of productive activities by the existing American interests in that country. Investment of new capital in any considerable amount has not been noticed. On the contrary, during the last six months of 1923, production in all lines of Mexican industry has fallen off, particularly in manufacturing and agriculture, which support the great mass of the people. The frequent strikes at the port of Vera Cruz have been disastrous, since they have tied up all merchandise going into that port. Importers have been obliged to make settlement for their purchases without having received the corresponding merchandise. Government finances also have suffered since the richest port ceased to yield its usual customhouse revenue.

Several other factors served to aggravate the situation before the outbreak of the present revolution. The banking institutions, almost inactive for a long time past, had to restrict still further their operations, reducing them to a minimum in order to accumulate cash reserves to meet contingencies. In government finances, the various administrative departments have recurred to the expedient of issuing drafts on the Federal Treasury at from thirty to ninety days in payment of merchandise purchased. These drafts were accepted by the customhouses in payment of taxes, but in recent months the custom house at Vera Cruz refused to accept them; all of the customs and tax offices in the country then refused to accept them. A few days afterwards payment on commercial bills was suspended as well as a large amount of drafts on the Mexican Financial Agency in New York. The total amount of outstanding accepted drafts against the Government has been estimated at about 25,000,000 pesos. A substantial portion of these drafts are held by firms in this country, but the larger part are being held by local domestic and foreign commercial houses. The recent loan of 10,000,000 pesos made by the Huasteca Petroleum Company to the Government of Mexico did not seem to improve matters in connection with the heavy debt of the Government to its commercial creditors since most of the money was used in the payment of back salaries to public employees and to satisfy its most urgent needs and pay its most pressing obligations. Furthermore, since the Huasteca loan was made in the form of an advance on petroleum export duties, to be paid back in installments, the revenue derived from this source will be reduced for some time to come.

Our exports to Mexico during the first nine months of 1923 amounted to $89,687,552, as compared with $82,322,781 during the same period in 1922. Although these figures show a net gain of $7,364,771 in favor of 1923, consideration must be given to the fact that a considerable portion of the 1923 total remains unpaid, not only on account of purchases made by the Government, but also by merchants who have not been able to obtain cash.

Among the reasons accounting for the difficult situation of the latter, the following may be given as most important:

Suspension of payment by the Government;

Inability to move goods from Vera Cruz due to strikes;

Little turnover on account of suspension of salary payments and the general feeling of depression;

The feeling of political uncertainty.

The outbreak of the present revolution, therefore, did not find the country on the road to recovery from its prolonged condition of depression. Its effects upon business in general with that country will undoubtedly be of far reaching consequence. Matters of vital importance to Mexico's possible recovery, such as the establishment of the Single Bank of Issue, the solution of the petroleum and agrarian problems, reorganization of the banking and currency systems, and the solution of the railways problem will become of secondary importance until the political situation is cleared. Confidence cannot be restored until the above problems have been solved in accordance with sound and sincere principles and without the bias of false nationalistic tendencies.

A payment of 30,000,000 pesos fell due at the close of 1923 at first installment of the service of the public debt. The performance of this obligation by the Government or its failure to make such payment are matters which must be qualified by taking into consideration the present disturbed conditions in Mexico. A payment which in normal times would show strength and responsibility on the part of the administration, in the present situation might show such strength and responsibility to a greater degree, but also might be the result of extortionate procedure to obtain money to produce a good international effect.

Comparative Credit Costs

By D. RICHARD YOUNG

***Interest Rates* No Reliable Index. Commissions, Discounts and Taxes Increase Costs. Farmer Has Most Sources of Credit. Finance Companies Receive 20.94 Per Cent; Personal Loan Societies 45.68 Per Cent. Comptroller's Cash Budget Explained.**

"WHAT does credit cost?" every man asks himself from time to time, when he has occasion to borrow some money from a bank, or pays the monthly installment on his automobile, or receives the statement from the furrier for his wife's new coat.

His newspaper may tell him that the current rate is 5½ per cent., but he knows that there are other costs to pay in addition to the actual interest. As a matter of fact, when he considers the various charges for the discount collected in advance and the proportionate balances required in the case of a bank, or the higher prices and collection department overhead in the case of the retailer, he is apt to think that it costs him several times 5½ per cent. A study of the real cost may lead him to the conclusion that the cheapest way to use credit is never to use it.

Yet the alternative to the use of credit is to pay cash, and the average American business concern and individual alike would hardly look with favor upon doing this. Of the total volume of business transacted in this nation, it is estimated by the National Association of Credit Men that the portion conducted on the cash-and-carry plan which was a heritage of our forefathers, is just five per cent. The ninety-five per cent. balance is sold by creating debt, and is paid for at some later date.

Credit Lavishly Used

IN other words, debt is nearly universal in this country, credit is lavishly used and installment buying is encouraged in many luxury lines, and the proverbial old-time family with a mortgage on the homestead is succeeded by the modern family with a mortgage on the automobile, the furniture, the radio and the salary for months to come.

In November a man down in Georgia invited everybody in his county who was without debts to attend a barbecue at which he would be host. One jesting editor in Atlanta said that he hoped "all three" of the guests would enjoy themselves, but the actual turnout numbered thirteen.

The viewpoint of this article is not that the use of credit is morally or otherwise wrong, for the extensive growth of borrowing and credit buying is the result of many advantages, and the very size and prosperity of our economic organization could never have been built on a strictly cash basis. Besides, without credit there would be no profit for the bankers. But let us examine some of the principal kinds of credit and see what the borrower has to pay in various cases.

Agricultural Credit

FIRST consider the farmer, who is the initial producer of goods. The use of credit in the various stages of production and distribution are indicated on Chart I and it will be seen that the farmer has more agencies designed to assist in his financing than has any other group, partly as a result of the natural growth of our present financial structure and partly because of the special agencies created by the government during recent years.

The list of his credit sources is a surprisingly large one, for he may borrow directly from the savings banks, trust companies, and insurance companies; may use the Federal Farm Loan Banks and the Joint Stock Land Banks; may sell his mortgages through local farm loan mortgage brokers, the larger mortgage companies, and certain investment banking houses; if a cattle raiser, he can discount his paper with cattle loan companies; his marketing is often done through a state or national cooperative marketing association; he has access to the regular commercial banks for short time funds; and of course, participates as any other consumer in the usual retail store credit.

Moreover, the Federal Reserve Act has provided broad accommodation for agriculture in its text as originally adopted and in the several amendments since made, and the Agricultural Credits Act passed March 4, 1923, authorizes the establishment of the Federal Intermediate Credit Bank as a further aid. When one hears the statement made that in our economic system the farmer alone is not provided for, the answer is merely, "It isn't so." Many people are coming to believe, and this includes some of the agricultural bloc in Congress, that the farmer's trouble is not due to his lack of credit but to having had credits granted too easily and in too large amounts.

The rates paid by the farmer will be governed, as it must be recognized will the rates paid by all the other groups discussed in this article, by the fundamental factors in any credit, namely, the general risk for that class of business, the special circumstances found in each individual case, and the conditions prevailing in the local and national money markets at the time.

The farmer is a good credit risk if the loan is a reasonable percentage of the value of his land and improvements, valued conservatively and not at inflated prices, and provided the farm is properly conducted. The rate, therefore, tends to be a low one. First class farm mortgages continue to enjoy the reputation for safety as they have done for centuries past. If money rates in the Western and Southern agricultural districts are somewhat higher than in Eastern money centers this will naturally affect the price paid by the farmer to some extent; but nevertheless, if he compares his cost of borrowing to that of the steel plant in his locality or even to that of the railroad running through his county, he will realize in what a favored class he really is.

Average rates at present for farm mortgages are about 6 per cent. Any additional cost to the farmer is small, and would include an appraisal of the land, a search or guarantee of title, the usual stamp tax of 2 cents per $100 and the brokerage commission for having the mortgage sold in case he does not dispose of it direct. This is usually ½ per cent. per year for local farm loan companies and title companies, up to 2 per cent. for certain of the larger investment houses specializing in farm mortgages, and may include a premium for securing the funds in case they are very scarce. Interest is usually payable semi-annually, and, unlike the commercial bank borrower, the farmer does not have it deducted in advance nor does he have to maintain proportionate balances. He is required to keep the buildings and improvements fully insured, but would be expected to do this whether he were borrowing money or not. The total cost, therefore, should run 6½ to 7½ per cent.

The Country Storekeeper

REFERENCE has been made to the use of retail store credit by the farmer. This he does to a far greater extent than do people in other lines, for their personal consumption, for he secures credit at the general store not only for his groceries and various articles for the use of his family, but frequently his seed, fertilizer, implements and supplies that go into the direct cost of producing the crop. These are supposed to be paid back at the time the crop is harvested, and the payment is made in many cases by trading the produce into the storekeeper. Or, sometimes, the farmer is financed by the local merchant who is to take the crops off his hands and who, during the growing seasons, will advance funds against the crops.

Here trouble often arises, and the complaint is made that the farmer is overcharged and otherwise exploited by the storekeeper and crop merchant alike. Undoubtedly it is true in many cases.

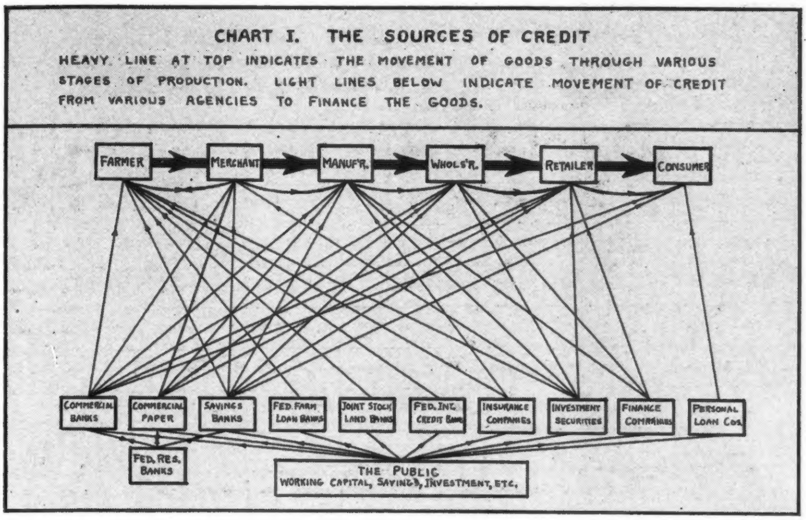


CHART I. THE SOURCES OF CREDIT
HEAVY LINE AT TOP INDICATES THE MOVEMENT OF GOODS THROUGH VARIOUS STAGES OF PRODUCTION. LIGHT LINES BELOW INDICATE MOVEMENT OF CREDIT FROM VARIOUS AGENCIES TO FINANCE THE GOODS.

Commercial Banking

AFTER the product leaves the farmer's hands, its financing through all the remaining movements until final consumption is participated in by commercial banks. They may do this completely or just partly, directly or indirectly.

The principle of commercial banking which distinguishes it from all other forms of financing might be briefly stated here, for it is not always understood by the public generally or even by many people in the banking profession, especially if they are working in departments not directly connected with the making of loans. It will bear frequent repetition, and must be kept continually in mind in the safe management of any institution of this sort.

The principle is that in the general economic sense the money deposited in banks by merchants, manufacturers, etc., represents a portion of their working capital. It is cash, the medium of exchange, and its amount is the difference between disbursements and receipts and will therefore be constantly increasing and decreasing. Being much value in small space it is deposited in the bank for safety. Thus is created what might be called the "original deposit."

These deposits of cash held by the bank are then loaned out with a minor portion being invested in securities, and of course a proper portion being held as reserve in its reserve depositories and own vault. The kind of loans made should be determined by the nature of the deposits, which (1) represent liquid capital and (2) are subject to withdrawal on demand; obviously they shall be loaned only (1) for expenditure for merchandise and other current transactions and not put into fixed capital, and (2) for short periods of time so as to be available within a short period to liquidate the bank's liabilities. If the loans are not for such current purposes the effect will be harmful both upon the general economic system by tying up its working capital, and upon the bank unable to meet its liabilities, and therefore upon its unfortunate depositors.

The statement found in banking textbooks about a bank's "creating deposits" should not confuse one into thinking that the making of a loan "creates capital," for such is not the case. The making of a bank loan creates only two liabilities, one to the bank and one from it.

The making of a loan has no effect on real capital; the effect does not come until the borrower desires to trade some of the money advanced to him for goods and service, which depletes the cash of that particular bank, nothwithstanding it may be redeposited in another bank.

For example, suppose a concern has $20,000 on deposit, then borrows $100,000; this increases loans and discounts $100,000 and deposits an equal amount. Its effect is within the bank, but remains so only until the customer begins drawing upon the credit borrowed, say to the extent of $50,000, as a result of which the bank's cash is decreased by this amount, which must be supplied by other depositors. The important points to keep in mind are (1) that credit is not capital, but is only the borrowing of money which can be exchanged for capital, (2) that capital can not be created by making loans, and (3) that a man who has borrowed money can exchange it for real capital only by having some other owners of capital forego the use of it. These owners who at the moment have excess capital supply it to the parties desiring to use it through the medium of money—bank deposit—bank loan—money.

Seasonal Demands

THE above statement of the theory underlying commercial banking may be illustrated by a practical example, which will show the ebb and flow of cash, and the use of borrowed money during a portion of the year in order to handle a larger volume of business than could otherwise be done.

An automobile manufacturing concern would be a typical case. Take a company having annual sales of $32,000,000. The cash budget shown in Chart II has been worked out as follows: By taking the figures of total number of automobiles produced in the United States over a period of years the percentage in each month is determined. This, applied to the $32,000,000 sales gives the sales for each month. Assuming that selling terms are a sixty-day trade acceptance, we determine the monthly cash receipts, which will be the same amount as the sales but two months later. Assuming that an annual business of this volume will yield a profit of $2,000,000 there will be disbursements for materials and payroll of $30,000,000 and if the various expenses of manufacture must be paid out on an average of sixty days before the automobile is finished and sold, the monthly disbursements will be in the same proportion as the sales but will take place two months earlier.

The comptroller of the concern, using these estimates, can calculate the net gain or loss of cash during each month. If on Dec. 31, he has, say $1,400,000 cash on hand, he will lose $160,000 during January and have on the 31st of that month $1,240,000. He will lose $780,000 more cash in February and theoretically would by the end of May have a cash deficit of $1,800,000.

Chart III shows graphically these movements, line A representing sales, and B—the theoretical cash on hand (or deficit).

To operate with a deficit of cash, however, would not be possible and so recourse is had to borrowing. The comptroller plans to borrow $1,000,000 during February, another $1,000,000 during March, and so on, and to repay it $1,000,000 in July, $500,000 in August, etc. The line "D" on the chart shows the resulting cash balances, averaging between $1,000,000 and $1,500,000 through the year until the latter part when the $2,000,000 profit is added in and is available for distribution as dividends.

While the figures used in this example would vary with each individual concern, based on its own past experience as to sales, collections, expenses, and also upon its expectations as to the future, the principle of the proper use of borrowed money should be quite clear. The Chart III shows how bank credit (C) is used during the peak season of the year, to change the imaginary cash deficit (B) to the actual cash supply (D) and thereby allow the manufacture and sale of the large volume of automobiles (A).

Cost of Bank Credit

"HOW much does the manufacturer pay for this borrowed capital?" is the next question. If on March 15, the company makes a loan of $1,000,000 on its own note, for say three months at 5½ per cent. there is deducted interest for ninety-two days figured on a 360-day basis of $14,055.56 also the stamp tax of 2 cents per $100 amounting to $200—leaving proceeds of $985,744.44 available to use. If this were figured on the 365-day or "true basis" the money received costs the borrower 5.74 per cent.

It is often said that when a bank requests a customer to keep balances averaging 20 per cent. of the accommodation the effect is to make that much less of the borrowed money available for use, and that the customer is therefore paying for 20 per cent. of his loan that is never used. A study of the question of cash balances, however, will show that this view is not generally justified. In the first place, the manufacturer must keep some cash on hand to operate, that is certain. For the automobile concern having cash receipts and payments of approximately $30,000,000 per year, surely its working cash should never fall below $1,000,000. On this it receives the current rate of interest paid to all depositors, about 2 per cent., whether it

is borrowing or not. Thus, a concern's working cash balance and the interest received thereon, and its bank borrowings and the interest paid thereon, are entirely different matters.

The somewhat current opinion that the cost of borrowing is very high is probably due to the dear cost borne by the borrower when he gets into difficulties. If our automobile company gets into a tight place it may be necessary for the bankers and other creditors to form a committee to take charge of the affairs, and the outcome, depending on the particular circumstances, may involve the sale of merchandise at sacrifice prices, the disposal of valuable real estate under the auctioneer's hammer, the transfer of patents, franchises, subsidiary company holdings, etc., to outside interests, the underwriting at a heavy discount of bonds and stock bearing high rates of interest and dividends and containing provisions giving the new money strong preference over the old; this, I say, combined with the general loss of prestige in both trade and financial circles resulting therefrom, may indeed make the disappointed owners of the company feel that borrowing money is expensive business. If these creditors' committees sometimes appear to exert excessive pressure, the management must grant that the committee is only attempting to do what the management has failed to do, i.e., put the business where it will be in a sound condition, making profits for itself, and therefore a safe credit risk for those people who are advancing it additional capital.

If a customer borrows from a bank on a loan, paying the interest at maturity instead of having it deducted in advance, the cost on a 5½ per cent. rate will be 5.66 per cent. or .08 per cent less than when his note is discounted.

The same is true in the case of collateral loans. Most of these, which are also called "call," "demand," and "street" loans, are made under a loan contract which makes it unnecessary to execute an actual note for each transaction and thus saves the stamp tax; which on $1,000,000 amounts to $200—no inconsiderable item. The bank usually bills the customer once a month for the interest. There are no incidental charges in

CHART II. THE COMPTROLLER'S CASH BUDGET

TYPICAL AUTOMOBILE CONCERN DOING BUSINESS OF $32,000,000 ANNUALLY. TABLE SHOWS ESTIMATED MONTHLY SALES, RECEIPTS, DISBURSEMENTS AND BORROWINGS FROM BANKS (IN THOUSANDS OF DOLLARS).

000 OMITTED	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
% ANNUAL SALES	6.0%	7.0%	8.0%	9.0%	11.0%	10.0%	9.0%	9.5%	8.5%	9.0%	7.0%	6.0%	100.%
SALES	$1,920	$2,240	$2,560	$2,880	$3,520	$3,200	$2,880	$3,040	$2,720	$2,880	$2,440	$1,920	$32,000
RECEIPTS	2,240	1,920	1,920	2,240	2,560	2,880	3,520	3,200	2,880	3,040	2,720	2,880	32,000
DISBURSEMENTS	2,400	2,700	3,300	3,000	2,700	2,850	2,550	2,700	2,100	1,800	1,800	2,100	30,000
CASH GAIN OR LOSS	−160	−780	−1,380	−760	−140	+30	+970	+500	+780	+1,240	+920	+780	+2,000
THEORETICAL CASH (OR DEFICIT) END OF MONTH	1,240	460	−920	−1,680	−1,820	−1,790	−820	−320	460	1,700	2,620	3,400	
BANK BORROWINGS (OR REPAYMENTS)		+1,000	+1,000	+1,000			−1,000	−500	−500	−1,000			ALL REPAID
ACTUAL CASH ON HAND END OF MONTH	1,240	1,460	1,080	1,320	1,180	1,210	1,180	1,180	1,460	1,700	2,620	3,400	

connection with these loans.

The collateral must be good grade, marketable bonds and stocks with a margin of 20 per cent. that is, for a loan of say $100,000, the market value of the collateral must have a margin of at least 20 per cent. in excess of the loan or at least $120,000. Stock is just as acceptable as are bonds, and often more so, since it does not take up so much space, for in the case of large loans the storage and handling of the collateral becomes a problem.

When the call rate changes this is noted on the loan department records. For example, a broker might on Nov. 5 borrow $500,000 at 4¾ per cent., which rate continues until Nov. 15 when it drops to 4½ per cent. then on Nov. 26 goes up to 5 per cent. The loan may be called by the bank, or paid off by the borrower at any time. The broker may continually substitute one security for another as his business requires, so long as the new collateral is acceptable to the bank.

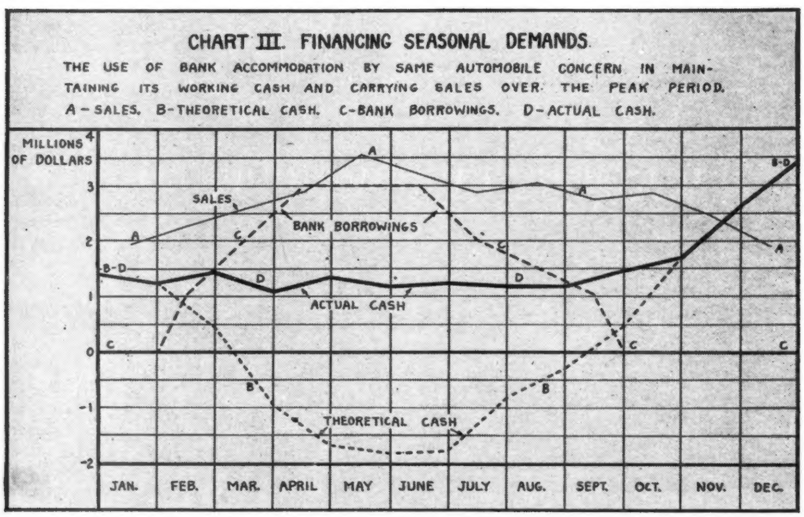
Closely allied with bank borrowing is that of selling paper in the open market. In both cases the operation by the borrower is practically the same and the funds come largely from the commercial banks. The commercial paper broker selling the paper is usually paid ¼ per cent commission on each sale and the customer is enabled to periodically shift his debt to the outside market instead of borrowing from the bank.

The cost is usually slightly higher than bank borrowing because of the commission, since the open market rates and bank rates tend to run practically the same. If a concern sells its ninety-day note for $5,000 at 5½ per cent., there is deducted $68.75 discount, $12.50 commission, and stamps $1.00, leaving $4,917.75 proceeds. This figures out on a basis of 6.80 per cent. per year. It will be noted that this is 1.06 more than the case of bank borrowing, made up principally of the commission of ¼ per cent. paid four times a year.

The question of the cost of maintaining bank lines against outstanding commercial paper might be raised as in the case of bank borrowing. The answer is the same, however, for the bank balances carried to hold open the lines are not part of the cost of the credit.

Open market borrowing is, or should be, for current and never capital expenditures, and if the volume of business handled is so large as to require borrowing, the concern should carry working cash balances in proportion. Most commercial paper brokers have a definite understanding with their customers to the effect that *open* bank lines will be kept at all times sufficient to take up the total paper outstanding as it matures in case, for any reason, it is not possible to keep it out. No broker can guarantee to keep a certain amount of paper outstanding, or grant to the customer a "line" in the strict sense of the term. Brokers like to have their customers use the banks to borrow from occasionally in order to pay down the open market paper and to insure that the bank lines are real and not just nominal. Some banks require the customer to keep an average balance of 20 per cent. of the line, whether borrowing or not, in order to maintain the line; others require only 5, 10 or 15 per cent.; some banks ask proportionate balances only when borrowing.

(To Be Concluded in the February Number)



What Part of the Freight Burden Is Borne by the Farm?

By SYDNEY ANDERSON

To Find the Answer to That Question as a Part of the General Query "What Is a Reasonable Rate?" Is the Work of the National Transportation Institute's Research Council. Investigations Expected to Furnish Information for Equitable Rates.

THE section of the United States east of the Mississippi Valley and north of Mason and Dixon's Line, comprises about 16 per cent of the total area of the United States. In this area 56 per cent of the population lives. Here 78 per cent of the manufactured products is produced. Seventy-eight per cent of the agricultural products of the United States is produced outside of this territory. A moment's figuring very promptly develops the fact that approximately one-third of the agricultural products outside of this area must be moved thousands of miles into it, while one-third of the manufactured products within it must be transported to the 85 per cent of the area outside. This statement in a broad way illustrates the importance of transportation to the farmer. Were it not for transportation the vast population located in the congested area would be unable to obtain the food necessary for its sustenance.

Transportation makes it possible to concentrate manufacturing in cities where large amounts of labor are easily available; where technical skill can be obtained in any line and where materials can be assembled easily and expeditiously from many directions. On the other hand, transportation makes it possible to produce citrus fruits in surplus quantities in California; to move them under refrigeration to large centers of population; to produce wheat in vast sections far distant from consuming centers; to transport these in an orderly way to the great milling centers at Kansas City, Minneapolis and Buffalo, and from them, in the form of flour, to the consuming centers.

Without transportation the farmer's activities would revert to the primitive form of a hundred years ago when each farm was in itself a complete unit supplying all the materials necessary for the sustenance, shelter and clothing of the family, and the manufacturing processes by which these were converted into food, clothing and shelter. Such commodities as were produced in surplus quantities were distributed locally.

Transportation makes possible the geographic location and concentration of industrial and agricultural production. It makes possible specialization on the part of the farmer in those crops and products which are the best and finest expression of the soil, climate and environment of his own farm.

The farmer, like every other shipper, is interested in adequate service at reasonable rates. I put adequate service first because losses incident to lack of service or inadequate service are likely to be greater than the costs of adequate service. Adequate service means that cars must be furnished when and where the farmer wants them, on reasonable notice; that these cars be in good order and fit for the required service. A car may be good enough to ship brick in and wholly unfit for carrying wheat.

Exacting Requirements

CARS must be of the kind required. If the farmer has a carload of stock, he wants a stock-car; if he is going to ship a carload of apples or citrus fruit from California, he wants a refrigerator; if he is going to ship a carload of potatoes from Minnesota in the middle of winter, he wants a heater.

> ## The Author
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> *REPRESENTATIVE Sydney Anderson of Lanesboro, Minnesota, the author of the accompanying article, is a seasoned veteran in Congress, although he has just passed his forty-first birthday. He is serving his seventh continuous term as the representative of the First Minnesota district. A lawyer by profession, Mr. Anderson has made an intensive study of farm problems. He was chairman of the Joint Congressional Committee, which conducted a most incisive and far-reaching inquiry to determine how the well-being of agriculture was affected by the structure of freight rates, the rural credit situation and other pertinent factors. He was one of the leaders in the movement, which resulted in the passage of the intermediate credits act at the sixty-seventh session. In this article he outlines a work that is underway which should give results valuable to both agriculture and the railroads.*

These requirements are simple enough in statement but back of the ability to meet them are a great many complex and important factors. The furnishing at the time and place required of a good order car, fit for the service to be rendered, depends not alone upon the ownership by the railroad of an adequate number of cars of the kind required but also upon the ownership and operation of the locomotives necessary to haul these cars and upon the plants and shops necessary to keep cars and locomotives in good repair.

During the period of car shortage in 1920, it not infrequently happened that cars were delivered at terminal points, for the service of particular railroads, which these railroads were unable to utilize because of the lack of motive power of their own lines. Again, car shortages are often due to congestion owing not only to inability to move them through lack of motive power, but because of inadequate terminal, side and main tracks. The ability of a railroad to furnish cars promptly is also greatly complicated by the fact that the preponderance of loaded tonnage moves eastward, *i. e.*, that more loaded cars move eastward than westward, so that it is necessary to haul a large number of empty cars from east to west in order to maintain the supply of cars for the western roads or the western end of the railroad. If cars are not unloaded promptly or are tied up in congested terminals so that they are not promptly moved westward empty or with loads, car shortages soon develop at the end of the line from which the preponderance of traffic comes. Indeed, this is often the principal factor in the development of car shortages. This is especially true in the case of specially equipped cars, like stock or refrigerator-cars, which ordinarily can be moved loaded only in one direction. Stock-cars, for example, are shipped from great stock-producing sections hundreds, and perhaps thousands, of miles to the terminal stockyards markets and have to be returned empty to a point at which another load is available.

Special and Expedited Services

THE farmer not only requires special types of cars in which to ship his products, but also often requires special services

and expedited service. Icing plants must be established by the railroads at appropriate places in order that refrigerator-cars may be kept continuously iced and their contents in good condition. Stockyards must be provided along the right-of-way of the stock-moving roads in order that the stock may be taken off of trains and fed and watered. Both refrigerator and stock shipments require regular, scheduled movements of trains and expedited service. It is not only necessary that loaded cars shall move but that they shall move with the utmost expedition. This is especially true in the case of perishable farm products which have to move forward under refrigeration or of livestock. If the average movement of a freight car can be increased from twenty miles a day to thirty miles, it is just as much in the interest of the railroad as it is in the interest of the shipper and the railroad must be expected to furnish the expedited service even though such service is more expensive to it than a slower service might be. But the furnishing of a vast number of cars of standard or specially equipped types, the purchase of locomotives and the maintenance and repair of both of these, the building of adequate freight terminals, the laying and maintenance of tracks and right-of-way, all involve vast expenditures of money. This money comes mainly from two sources: *first,* earnings; *second,* sale of stocks and bonds.

It is an axiom in business, often overlooked, that a business should be able to perpetuate itself. That is, able to make earnings sufficient to enable it to improve and extend its plant to meet increasing business. If it be assumed that the primary interest of the farmer is adequate service efficiently performed, it is to the farmer's interest that the earnings of the railroads should be such as to permit them to apply a reasonable proportion of these earnings to increasing, improving and extending their facilities. It is also in the interest of the farmers that the railroads should secure the funds for permanent investment at as low a rate as possible. This can be done only if the earnings of the road are such as to create confidence in the ability of the road to pay interest and dividends promptly.

We come now to the second phase of our proposition, namely, that adequate service must be furnished at reasonable rates. Here we are promptly confronted by the question, What is a reasonable rate? It would be idle to enter into a technical discussion with the object of finding an answer to a question which has baffled traffic men, rate experts, statesmen and the public, but it will be worth while to suggest some considerations affecting the meaning of the term "reasonable" without regard to their technical significance.

Many Considerations in "Reasonable"

A RATE must be reasonable from several points of view. It must be reasonable in the sense that the revenue from it, when aggregated with the revenues resulting from the application of other rates, are sufficient to pay the operating expenses of the road, its fixed charges, and a reasonable return upon the value of its property used in transportation. A rate must be reasonable in relation to the cost of performing the service. It should at least cover the out-of-pocket cost of performing the service. It must be reasonable in the sense that traffic can move under it and, finally, it must be such as the commodity can pay. It is obvious that these ideas of reasonableness are sometimes, and indeed often, in conflict with each other. Still, on the whole, the given rate should reconcile itself more or less to all of them.

The value of a given service performed by a railroad for a shipper may not be, and often is not, identical with the cost of the service to the railroad. The cost to the railroad of transporting a ton of coal, a ton of wheat, or a ton of silk, may be approximately the same, but the value to the shipper in each case may be very different. This is just another way of saying that the value of a service performed by a railroad company for a shipper may depend in part upon the value of the goods shipped. I do not mean to suggest, of course, that rates do or should fluctuate with the prices of commodities. Nevertheless, the value of the commodity and its ability to bear the rate and to move under it, is in a degree a measure of the reasonableness of the rate.

It is impossible to wholly separate the level of prices from the level of rates or a given rate on a commodity from the price of that commodity because prices affect rates in two ways. First, because the prices of things used by railroads and in railroad construction are elements in the cost of operation which determine the cost of service, and second, because the price of the thing transported in a measure determines the rate which it can reasonably bear.

If Rates Are Low

IT is putting it in an extreme way, but it sufficiently illustrates the truth of this statement, to suggest that if rates are low when prices are high the railroads will starve to death and if rates are high when prices are low, the shippers soon go into bankruptcy.

Recognizing the importance of this relation of the price of transportation to the price of commodities, the National Transportation Institute, through its Research Council, has instituted an investigation of railway rates from 1900 down to date, with the object of setting up an index of transportation rates in general and the rates upon special commodities which will measure the relative position of these rates at any given time. We now have indexes of prices of special commodities, groups of commodities, and of all commodities. Such indexes are compiled by the United States Department of Labor, by Bradstreet, by the Federal Reserve Board, and by other agencies. But we have no index of transportation rates wich will enable us to know how the price of transportation has moved in relation to the price of, say, wheat, or corn, or coal; of agricultural products, or of lumber, or of all commodities. When such an index has been set up, the movement of the price of a given commodity may be compared with the movement of freight rates upon that commodity and the careful analysis of these movements may enable us to determine just what influence freight rates have in increasing or decreasing prices.

The farmer is not only interested in knowing how the price of transportation has moved in relation to the price of his products. He is interested, as well, in knowing how the total freight burden is distributed. He would like to know what proportion of the freight burden is borne by the products which he produces, how much is borne by the product of mines and by the product of forests. He would like to know the total freight cost in a barrel of flour. The wheat farmer would like to know, perhaps, how the total freight burden on wheat compares with the total freight burden on cotton.

In 1920, the Interstate Commerce Commission, through a series of questionnaires sent to the railroad, developed a table intended to show how the freight cost is apportioned among different commodities. The method of obtaining the information and the fact that only a few of the railroads reported with respect to each commodity, brings into question the value of these tables as an accurate index of the relative total freight burden borne by the different commodities. The Research Council of the National Transportation Institute is now engaged in a careful analysis of these tables and the basic data from which they are compiled and it is expected, as a consequence of this investigation, that it will be possible to apportion with a high degree of accuracy the total freight burden to the various commodities and groups of commodities and even to say what proportion of the total freight represented in a barrel of flour is represented by the freight on the wheat and what proportion by freight on the flour itself.

Cotton and Wheat Compared

SOME tentative conclusions may be suggested here, as an indication of some of the facts which subsequent investigation might develop. The value of the 1923 wheat crop of the United States is approximately $700,000,000; the total freight cost of moving this crop will approximate $105,000,000. Contrasted with this, the total value of the cotton crop is $1,400,000,000; while the total cost of moving the cotton crop will be approximately $40,000,000. It does not follow, necessarily, from these figures, that the freight burden upon wheat is too great nor that that upon cotton is too small. But figures of this character do furnish facts which, taken into consideration with other facts, form the basis on which sound conclusions can be based.

Facts of this character, carefully and scientifically ascertained, not only furnish a vast amount of interesting information but form the basis for a consideration of the whole rate structure both from the standpoint of a general level of freight rates and from the standpoint of the reasonableness of given rates and of the total burden borne by specific commodities.

We hear a great deal about a general revision of the rate structure, but those in a position to know believe that it will be

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Cooling America's Melting Pot

By JAMES VICTOR KNIGHT

Changing Attitude of Industry toward Immigration Revealed at National Conference. Has Alien Influx Deadened Constructive Effort to Save Labor and Stifled Flame of Inventive Genius? Expert Inquiry Under Aegis of Congress Urged.

WHAT are the visible guides the nation has to serve it in the imminence of consideration of a broad national and permanent immigration policy?

Research has disclosed that they are few.

In the light of the importance of immigration to industry, and to the general welfare, the National Immigration Conference, held in mid-December in New York, served a useful purpose in getting on record the widely divergent views held by various social and economic classes toward the whole subject of the immigration policy of the United States.

Two broad groups in the conference soon resolved themselves: One, including representatives of the Government and economic and industrial associations, holding that the present restrictive features of the law should be continued, with various modifications; the other, wherein racial groups were dominant, pleading for the letting down of the bars, for the abolition of Ellis Island and for lifting of restrictions on tenuous grounds, such as the hurt suffered to their feelings by alien immigrants, who were described in the same breath as being so sturdy-bodied and sturdy-minded that nothing could hurt them.

Eighty speakers, ranging from scholars like Henry Fairfield Osborn who has made ethnology and anthropology a life-study, to New York East Side settlement workers, who have not yet mastered our language, gave their views. Ample precautions were taken to prevent the conference resolving itself into the late John Hay's definition of the Democratic party when he termed it "a fortuitous concourse of unrelated prejudices."

Every Factor Considered

THE agenda of the conference took account of every factor entering into the relationship which immigration bears to the national life. No motions were put, no formal votes taken, no conclusions were drawn by the conference itself. But to an observer who has kept step with recent trends in immigration, with the changing attitude of industry toward alien labor, and with the psychological and political viewpoints of the nation as the war has made them, the conference bore evidences of the deep significance of the future course of the nation toward the alien.

It may be well to consider first the changed attitude of industry toward immigration, as revealed at the conference.

Opposed to the "melting-pot" view of the value of immigration, a number of speakers held that our material progress would have been greater without all or a large part of our earlier immigration, and that our social and political life thereby would have developed along finer lines. They pointed out that, being endowed with a great abundance of natural resources the United States has progressed so phenomenally because this progress took place in a period when science and technology were just being made available for industrial purposes to men who, in our form of government, enjoyed an unusual degree of freedom in utilizing their initiative and ingenuity, unhampered by class or caste restrictions. The resultant economic development in the last fifty to seventy years was greater than that which has been made during the whole of the historical era preceding that time.

Here is the crux of what might be termed the "new thought" in industry toward the whole subject of immigration. It is gradually being accepted that an alien labor influx would tend to deaden rather than stimulate all constructive effort toward refinements in industrial processes, scientific management, production control and greater plant efficiency.

Yet the need for certain types of alien labor was shown to be undeniable.

In 1820 the population of the United States was 9,638,453; the immigration for that year was 8,385. The estimated population of the United States on June 30, 1923, was 110,663,500; the immigration in the year ended that date was 522,919, while 81,450 persons emigrated, leaving a net immigration gain in that year of 440,469 persons. This immigration stream has had its value; through it the United States has been materially aided in building up its productive activities and in attaining its dominant industrial position.

Within the century since 1820, however, vast changes have taken place in the economic and social structure of our country, as well as in the character of the immigration stream itself, and the benefits from immigration have partly been offset by certain deleterious effects.

Large as an Army

EVER since Napoleon slipped 35,000 soldiers over a mountain path in a single night—in sight of a fort erected to guard the pass—the world has been talking about that achievement. It was a pivotal point in a great military campaign.

But smugglers are slipping into the United States each year an equal number of men, but apparently the public has no direct interest.

It is true that the 35,000 who passed the Fort of Bard in the Alps were organized, disciplined, and directed, while those who steal into the United States each year, undetected, are not organized or disciplined but, as they are law-breakers, and presumably otherwise undesirable, they are elements of danger and disorder.

In the January JOURNAL *Secretary of Labor Davis frankly acknowledges the inability of the Government, under the present law, to prevent the stealing in of immigrants. In the accompanying article the immensity of the immigration crisis is suggested rather than revealed.*

Resident Population Not Sufficient

THE fact that the immigration influx has readily been absorbed in the past would seem to warrant the assumption that the excess of births over deaths in the resident population alone was not sufficient to meet the growing need for an adequate labor supply commensurate with economic demand and industrial growth. The need in part has been met by influx from abroad of virile man-power required for labor on farms, in factories, in mines and in the fields of transportation, commerce and trade generally.

Federal statistics of births and deaths for 1920, in registration areas, show, when applied to the total population area in the United States, a net gain in population in 1920 of about 1,120,600 persons. These newcomers, however, are not available for immediate productive requirements; they constitute the maximum potential native labor supply about sixteen years later, when they shall have attained working age. Yet all of these will not then be alive, and many will not be gainfully employed.

Federal statistics also show that of the entire population not more than two-fifths are

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Some of the Major Problems

By JAMES E. CLARK

WHEN A. Barton Hepburn resigned as vice-president of the National City Bank of New York City, he was earnestly besought to recall his resignation. "He need not bother about the duties of the position," he was told, "might live where he pleased, New York, London or Paris; what they wanted was to have him in the bank, to have his advice. He was assured at the same time that there was no question of salary—he could name his own. His reply was that he preferred a smaller bank."

What was the source of strength of a man so earnestly sought? If there can be discovered the intellectual spring from which he drank, then let the whole banking fraternity repair to it for strength and refreshment. From it all banks and all banking shall be strengthened, and all business having to do with banks will in turn derive benefits.

The answer is to be found in a biography, from which the above quotation is taken, written by Joseph Bucklin Bishop and published by Scribner's Sons, New York. Sometimes the reading of a book of biography is a task; often it is a pleasure; on rare occasions a biography is a fascination. The Hepburn biography to bankers at least should contain the latter degree of interest, because in Mr. Hepburn's progress through life doors and avenues opened before him, not through the exercise of "influence," family influence, the cunning of political strategy, or clever use of some secondary faculty of fascination, but through undeniable ability and a matter-of-fact courage which enabled him to follow principle and right to the exclusion of the easier and more inviting by-ways of expediency.

There are two other things which stand out in bold relief in the life of this man who, emerging from the "North Woods" of New York, may be regarded—without any stretch of imagination—as a new force coming out from nature's mysterious treasure house. One of these is that Mr. Hepburn was a fine type of the man who, all unknown to the average citizen, renders services to both state and nation of a value too great even to be comprehended at the time of rendition.

The other is that the life story of this New York banker refutes the incessant prattle of these times and of all times about Wall Street and its supposed lack of understanding of the rest of the country. Born in the backwoods, inured to hard work, to strict discipline, educated not by dint of mere study but because he willed to earn the means of an education; a teacher in the time when the teacher held his place, not by reason of his certificate alone, but because of physical courage; a surveyor, a lumber contractor, a mill man and a country lawyer—what better experience could one have as a background for understanding the world outside of the financial district of New York or of any other city?

But that is not the whole background of an experience which both drew out his abilities and gave him an understanding of men and their activities.

As a member of the New York State Assembly he was chairman of the Hepburn Committee, which investigated the conduct of railways. Here Mr. Hepburn, undaunted in the face of formidable forces of legal talent which the railways assembled, conducted an investigation and made a report which was a contribution not only to the people of his own state but also to the nation.

"Writing in March, 1923," says his biographer," in response to a request for his estimate of the effect of the report and the subsequent legislation, ex-Judge Ledyard P. Hale, counsel of the State Public Service Commission, said: 'The investigation and report of the committee of which Mr. Hepburn was chairman was practically the beginning of railroad rate regulation in the United States. . . . I think it is entirely accurate to say that the influence of the Hepburn Committee report on public opinion throughout the United States was even greater in an indirect way through the education of the public mind than through any direct statutory enactment resulting in the State of New York, for as a matter of fact the State of New York did not really adopt the recommendations of the Hepburn Committee until after the enactment of the Public Service Commission law in 1907, at which time it borrowed many of the provisions, with little change, that already had been enacted into the Act to Regulate Commerce.' "

In whatever he did, it was at once apparent that there was a new force at work and one which could not be diverted from its course. As Superintendent of Banking of the State of New York, this was especially true. He did more than the work which the office required of him. He worked for improvements in the laws governing its conduct to the end that he could render greater service to banking and to the business of those who use the banks.

Later the office of National Bank Examiner in the City of New York sought him because he was best qualified, and in turn New York interests sought and secured his appointment as Comptroller of the Currency, because they thought he was more qualified by reason of experience and of courage than any other man.

Chief among the desires of every bank directorate are safety, growth, the confidence in an ever-widening circle of the people of its community. While he was Comptroller of the Currency Mr. Hepburn in a report to Congress laid down a rule of guidance for directors in the following terms:

"Directors give control and direction to the business of a bank, accept and reject credits, and should understand its general condition. The detailed workings of a bank should be trusted to the officers and employees. We cannot have anything better than men. Men make our laws and men enforce them. Men manage our banks. No matter how elaborate the system, how numerous the checks upon error or upon wrong doing, or however perfect the machinery, the mechanism must be set in motion and the system operated by men. There is in every system a point where good or ill results depend upon the character of the man in charge. If an engineer wants to ditch his train, he can do so. If the president or the cashier of a bank wants to rob it, he can. Well-devised systems may make it difficult. Efficient supervision may make it dangerous. The law may punish and the certainty of detection and punishment may reduce the risk to a minimum. Hence the chief and most important duty of directors is to select officers of character as well as of experience and ability. They can best protect themselves and best serve the public by so doing."

In the foregoing he reveals at least one source of his own strength of character, and, obviously, a source of strength for all banks.

Notwithstanding the great responsibilities which he carried during his long connection with the Chase Natonal Bank, seven years as its active president, he found time also to crowd a variety of public services into his life, responding generously to many demands upon his time and his abilities. His interests in life were so varied, he made such good use of his days, that no thoughtful reader is likely to lay down the book without the feeling that Mr. Hepburn's services to his time extend even to the casual reader of the biography.

Our Own National Character

THE question has been raised as to whether or not some of the old world nations who lost the best of their men in the war, and whose people have undergone privations and disappointments since the Armistice, still can retain the old national character.

When they shall have emerged from present day conditions, will the national character be upon a higher or a lower plane? Will it be a new character whose value, compared with the old, cannot be ascertained until the lapse of years enables the historian to make a proper appraisal of each?

But before we deplore the possibilities and the dangers of such a change in any one of the overseas nations, it might perhaps be well to raise the question as to whether or not a transformation is taking place in the national character of our own people.

If there is weakness on the part of any specified overseas nation because so much

of manhood, of treasure and of morale has been lost, let it not be forgotten that there is a compensating condition attending. With individuals, poverty, want and a variety of untoward and unfavorable circumstances have proved to be not a curse but a blessing, in that these conditions have strengthened the desire, aroused the ambition and quickened the perception of individuals to such a degree that they have overcome and achieved, not merely for themselves, but for following generations.

Conversely, if there is a strength in our wealth of all kinds, in our natural resources and in our numbers, so there is also the possibility that we shall lose character because there is no spur of necessity to drive us on.

The Intangible Benefits of Organization

THE intangible benefits derived from organization may often prove of far greater value than those benefits whose concrete evidence makes it possible for them to be listed and estimated.

In the still waters of the great peace which preceded the World War many persons had come to regard a standing army as a useless and expensive institution—with the navy running a close second. Time proved the value of each.

The benefits to be derived from the church as a body are not limited to those who attend churches. Every individual, irrespective of whether or not he is a member of the church community, receives some of those benefits which flow from the church, either in business connections or in social intercourse, through the high standard of morality, civility and good-fellowship which the church sustains. Indirectly the church expedites business and reduces the risk of business losses—by reason of its chief function, which is the safeguarding of public morals.

Likewise the home without children receives full value for the money which it pays in support of public education—gets it back in a lower tax rate on a goodly list of taxable items, such as the "support of dependents"; gets it back, too, in a higher standard of public intelligence, which intelligence creates an ever-widening market, which would not be possible among an illiterate people.

So it is, through practically the whole list of public services, or services which, because performed cooperatively, are lost sight of; the perfect functioning of an organization sometimes leads to the conclusion that no service is being rendered, and that, therefore, further maintenance is an unnecessary expense.

Men who have spent years in building up a business through the intelligent use of advertising have been known to become imbued with the thought that business would come to them without further effort, and have in consequence discontinued the advertising appropriation. At first the change was not marked and consolation for the loss in orders was found in the thought that the loss was offset by the saving in advertising costs. Suddenly, however, the decline in returns became more rapid, and many a business was headed for disaster before the enormity of the mistake could be realized.

The demand for "tangible benefits" keeps many a man from exercising his freeborn right to participate in the affairs of his country, his state or his city. Those matters are no affairs of his, he reasons, even though there is accruing a certain tax-rate tangibility, by reason of this neglect of civic duties.

Just as it is more economical, equitable and dependable for the people to procure certain kinds of services through the government, so it is more economical for certain classes of business to procure services cooperatively, hence the existence of national organizations which render a great variety of services to their members, which services would be prohibitive in cost if each member attempted to do for himself what the organizations do for all.

In these organizations, as in the church, school and state, the individual may endeavor to measure their value only by "tangible benefits," forgetting for the time being those greater benefits which he enjoys by reason of the fact that a national organization is constantly making for the improvement of the business in which he, as an individual, is engaged; that it stands like a sea-wall, between his business and those encroachments which always threaten any gainful enterprise. One banker, speaking recently of the American Bankers Association, said—"The services of your association have saved my bank $25,000 a year."

Among other intangible benefits are those which accrue to business from a great national convention where, by unanimity of opinion or by the effectiveness of one man's presentation, business obstacles are often swept away which, without organization, would continue to be expensive and perplexing individual bank problems.

The new impulse which business receives from national conventions is from its nature impossible of measurement but those benefits nevertheless are so great that they extend beyond the class which produces them.

Membership in an organization working for the protection and development of a certain business—be it banking or manufacturing—is akin to the protection of insurance, which latter everyone understands so well that no one wants a fire by way of proof of desirability.

Gold Money and Morality

By BENJAMIN M. ANDERSON, JR., PH.D.

WHEN the money of a people is debased, very many of the moral virtues of the people are thereby poisoned. Thrift gives way to extravagance. A man is foolish who saves money if the money is going to be worth less tomorrow than it is today. He had better spend it today and get all that he can for it. The engineering mind has little scope in economic life when money is fluctuating violently. The technological mind is at the mercy of that business man who is a shrewd speculator. Careful planning and careful reckoning of costs of production are quite impossible when prices and costs, responding to rapid changes in the value of money, are fluctuating violently. It is impossible to make intelligent contracts to run for six months or nine months when one does not know within 50 per cent what the money, in terms of which the contract is drawn, will be worth in six or nine months. Men often make contracts under such conditions with their tongues in their cheeks, intending at the time that they make them to repudiate them later if the course of future price changes is adverse to them. Good faith, the punctual and full compliance with contracts—absolutely essential if modern economic life is to go on—are undermined when a people's money is perverted.

In the midst of disorganization of this kind, the private lives of a people are upset and disorganized. The housewife, as well as the business man, must become a speculator. Successful speculation may enable a family during one week to live comfortably or even extravagantly while an unexpected turn in the foreign exchange market may plunge the family into poverty the next week. The shortage of housing which characterizes so many European cities makes it necessary for too many people to live together, destroying family privacy. The general economic disorder intensifies restlessness and nervousness, weakens parental control, and makes family discipline difficult.

The man who perverts the money and public finance of a country is guilty of an offense against the morality of his people quite as much as if he struck directly at the sanctity of contracts and advocated directly the overthrow of law and morality. He is indeed more dangerous than the open and avowed enemy of law and morality, because the latter is less likely to accomplish his purpose.

Reduction of Wastes in Marketing

By C. B. SHERMAN

PREVENTABLE agricultural wastes in appalling amounts occur every season. Amounts are excessive whether figured in quantities or in dollars. Unavoidable losses caused by frosts, floods, droughts, and pests are bad enough but the occurrence of readily-preventable losses and wastes is almost criminal.

It profits the nation little to increase production and to raise a bumper crop, only to lose a large percentage of the harvest through inefficient storage, inadequate transportation conditions or other cause after the expense of harvesting has been added to the expense of production.

Twenty-five million dollars was the estimated loss caused by inadequate storage of the sweet potato crop during a recent year. This waste occurred in storage places all along the route from farm to consumer but was particularly heavy on the farm. The estimated crop that year was 100,000,000 bushels. It was estimated that about half of this quantity was stored in earth banks, and that the spoilage in such storage was about 50 per cent of the product.

The U. S. Department of Agriculture developed an inexpensive storage house in which spoilage amounted to only about 2 per cent. A campaign to demonstrate the desirability of erecting such houses, when funds permitted, resulted in the erection of more than 600 during the next two years. They provided suitable storage facilities for about 9 per cent of the total amount stored.

Claims of $3,000,000

HEAVY losses often occur on the way to market. It was reported that the apple shippers of the Pacific northwest presented claims to the railroads totaling more than $3,000,000 to cover freezing losses during one winter. Loss and damage claims on citrus fruit shipped by members of the largest fruit growers' organization of California have amounted to approximately a half million dollars annually for the past five years, according to the reports of that association. Other heavy losses occur because of lack of transportation facilities and car shortage.

An improved refrigerator car that can be heated in cold weather was developed by the Department and the Railroad Administration adopted it as standard. Many cars were rebuilt according to its specifications which specifications have also been used for many new cars. In cooperation with growers' organization, test shipments of fruit are made through the Panama Canal and all conditions in the holds of the ships are carefully studied to the end that additional space of desirable type may be added to our transportation facilities.

Losses caused by improperly loading cars occur constantly. Inefficiency in loading perishable products, such as sweet potatoes, apples, and grapes frequently causes 20 per cent of the shipment to be spoiled or injured. Proper loading, strong bracing, ventilation space, strong containers are essential to satisfactory shipping. The sight of waste and loss that greets the eye when a car of perishables is opened that has been improperly loaded and the containers inadequately braced is deplorable, especially if the journey has been particularly long or particularly rough.

Waste in a carload of ungraded potatoes

Specifications for loading cars with certain fruits and vegetables have been worked out and much assistance has been given railroads in formulating loading specifications. Large and progressive growers' associations have helped greatly in this improvement, working both with their shippers and with the railroad companies. Data collected by Federal Food Products Inspectors in Chicago show conclusively that the specifications for loading sacked potatoes have practically eliminated losses of potatoes caused by improper loading.

One hundred million bushels of potatoes went to waste in this country in 1922—almost the equivalent of a bushel for every man, woman and child in the United States. Over-production was the cause that time. There was no demand for the large crop at prices that would pay for harvesting and hauling. Diligent and intelligent use of intentions-to-plant reports, acreage estimates, crop forecasts and crop reports, and market reports issued in many ways and many forms will tend to supply the corrective of such wastes of human effort and of food product, in the future. They also serve to prevent the wastes attendant on glutted markets, for market reports have proved to be very effective in securing a more even distribution of perishables among city markets.

Serious waste and loss in handling poorly-graded produce were forcefully revealed in a study made in a large cabbage - shipping district. Eighty cars of cabbage were inspected at shipping point, of which about one-half ontained an average of more than half a ton of defective stock on which the shippers would have had to pay freight and cost of handling. This proportion probably applied to 14,000 cars of early cabbage shipped that season.

Use of the standardized grades and Federal shipping point and market inspections are doing much to eliminate such wastes. United States grades worked out, promulgated and demonstrated by the Department for twenty-six fruits and vegetables, in many instances have been adopted officially by various states and by various growers' and shippers' organizations. Progress in the matter of standardization and the grading out of unprofitable stock has probably been more rapid, during recent years, than in any other work toward eliminating such waste.

So-called perishables are not the only agricultural products that are subject to loss from these and similar causes. Statistics show that overloading cars with livestock and delay in transit has caused the death of thousands of valuable animals yearly. In Chicago alone the loss caused by arrivals of dead stock, one year, was estimated at $1,000,000. Only a very small percentage of this loss could be salvaged through rendering processes.

Organized Bankings' Workshop

James E. Baum.

New Manager for the Protective Department

JAMES E. BAUM of New York has been appointed Manager of the Protective Department of the American Bankers Association to succeed L. W. Gammon, resigned.

Mr. Baum comes to the American Bankers Association from the National Retail Dry Goods Association, of which he has been Field Manager. After studying in the Wharton School of Finance of the University of Pennsylvania, he spent nine years in auditing and organization work, specializing in public utilities and the petroleum industry; four years of this time were in foreign fields. Mr. Baum was for some time engaged in the work of organizing the International Chamber of Commerce.

Associate Editor

REUBEN A. LEWIS JR. of Washington, has joined the American Bankers' Association as associate editor of the JOURNAL.

Mr. Lewis, during the past three years, has been chief of the Washington Bureau of the New York *Journal of Commerce*, specializing in the writing of financial and economic news of the capitol and following the course of legislation in Congress. Prior to his service as its Washington correspondent, Mr. Lewis was on the editorial staff of the *Journal of Commerce* in New York as a writer on overseas shipping. He is graduating from newspaper work, after eight years of experience in various reportorial and editorial capacities. He is a graduate of Washington and Lee University and a native of Birmingham, Ala. During the war he served as a field artillery officer and was assistant adjutant of the 20th Field Artillery Brigade.

Reuben A. Lewis, Jr.

In the magazine field, Mr. Lewis has been an occasional contributor to *World's Work*, *Munsey*, *Marine Review*, the JOURNAL of the American Bankers' Association and other publications.

Treasury Tax Ruling Set Aside

AN opinion holding that the accounting period for determining the net income of a taxpayer is twelve months, and is not affected by his death or change of status within the period, was handed down early in December by the United States Circuit Court of Appeals for the Second Circuit. It reversed the decision of the District Court in the case of the Bankers' Trust Company *et. al. v.* Bowers and set aside the long-standing ruling of the Treasury Department, which required that estates of decedents be taxed on the individual's income for the time prior to death and on the income of the estate for the remainder of the calendar year. If the decision is sustained by the Supreme Court, it is estimated that millions in income taxes may be recovered from the Government.

The Court, in delivering its opinion, held that the scheme of the Revenue Act of 1921 was to tax the net income of the taxpayer for an accounting period of twelve months. Except where a voluntary change is made in the accounting period by the taxpayer or where it is modified by the commissioner declaring the taxable period terminated, the court asserted that the tax must be imposed for the entire twelve months, even though the taxpayer may have lived only a portion of the year. It declared that "the time of receipt of income or the ability to receive income has no bearing upon the accounting period," pointing out that an individual's entire income might be obtained on the first day of the year.

The Treasury has had in force since Jan. 1, 1921 a rather elaborate method of computing the taxes to be paid by the executors of estates under Section 226 (c), the effect of which has been to require the computation of income taxes on the basis of earnings established during the months prior to the demise. The higher court held, however, that this section did not apply to decedents and their estates and asserted that it provided solely for the placing of income on an annual basis and for the computation of tax thereon in the case of a return for a period of less than one year only where the change was made voluntarily or pursuant to an order of the Commissioner.

In anticipation of a possible reversal, the Committee on Legislation of the Trust Company Division of the American Bankers Association on Dec. 1, 1922, sent out a special communication calling the attention of members to the Treasury ruling, which has just been ordered discarded. It suggested, as a precautionary step to protect the interests of clients and themselves, that members should make all payments under protest or protect themselves against claims, where the returns were not filed on the basis of Section 226 (c).

Trust Company Banquet and Mid-Winter Conference

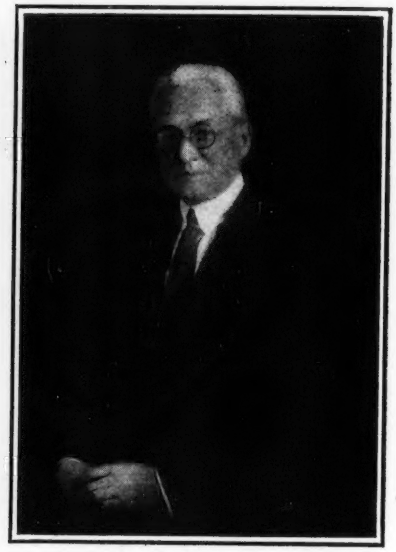
THE annual banquet and mid-winter conference under the auspices of the Trust Company Division of the American Bankers Association will be held on Feb. 13 and 14 at the Hotel Commodore in New York City. The conference will be held in the West Ballroom of the Commodore on the afternoon of Wednesday, Feb. 13 and will continue throughout the following day.

On the evening of Feb. 14, there will be a banquet in the Main Ballroom. A limit of one thousand covers has been placed on the banquet reservations.

Investigating German Finances

Charles G. Dawes

Owen D. Young



Henry M. Robinson

THREE Americans of broad business experience, with interests that have frequently led their minds overseas, will serve as American members of the expert commission, which will investigate Germany's financial ability to pay reparations. The Americans invited by the Reparations Commission to participate in this important inquiry are Charles G. Dawes of Chicago, Owen D. Young of New York and Henry M. Robinson of Los Angeles.

Mr. Dawes will occupy an outstanding position during the inquiry, as he will act as chairman of the committee, which will make recommendations for the balancing of the German budget and for the stabilization of the present hopelessly inflated currency. Mr. Young will be associated with Mr. Dawes on this committee, while Mr. Robinson will sit on the committee examining the holdings of German wealth abroad and the flight of capital to foreign money centers.

All three of the Americans are lawyers and financiers. Mr. Dawes, founder and president of the Central Trust Company of Chicago, was former Comptroller of the Currency and the first director of the Budget under President Harding. He was a Brigadier General in the American Expeditionary Forces, filling an important post in the Service of Supplies. Mr. Dawes began his career as a lawyer, but entered the banking profession later. He has occupied a prominent position in public life, although he has found time to write several books on banking and to compose a number of violin selections. When France entered the Ruhr, Mr. Dawes predicted that the invasion would not produce the results that the French expected, but would convince Germany that she would have to pay reasonable reparations.

Mr. Young is chairman of the board of directors of the Radio Corporation of America and is intimately informed on virtually every phase of the electrical industry. He served as a member of President Wilson's Second Industrial Conference.

In the appraisal of Germany's investment in shipping and in tracing the flight of capital abroad, Mr. Robinson is ably qualified. He was a member of the Supreme Economic Council of the Peace Conference, dealing chiefly with the German mercantile marine holdings, and was later a member of the Shipping Board. He is president of the First National Bank of Los Angeles and has been closely associated with the steel and rubber industries. He served as chairman of the Bituminous Coal Commission, which made an intensive study of this question for the United States Government.

The initial phases of the inquiry are scheduled to get under way about the middle of January, but no predictions have been made as to when the efforts of the investigators will be concluded.

American Bankers Association Endorses Mellon Plan

HEARTY endorsement of the proposal of Secretary of the Treasury Mellon for the revision of the Federal tax schedules was adopted by the Administrative Committee of the American Bankers Association, at a meeting in New York City on Dec. 10, and though favoring full aid for the disabled, the Committee reiterated the Association's opposition to the proposed Federal soldiers' bonus for able-bodied service men. The Committee decided to take active steps to enlist the support of members of the Association in favor of these policies, which were adopted at the suggestion of the Economic Policy Commission.

The Committee also received an extended report from the Agricultural Commission of the Association and gave its hearty approval to the work being conducted by the Commission to increase understanding and cooperation between banking and agriculture. Among the projects of the Commission are the fostering of boys' and girls' clubs, the promotion of better systems of diversified farming, and the dissemination to bankers of information on economic conditions affecting the agricultural industry. The Administrative Committee approved the recommendation of the Agricultural Commission that it support legislation in Congress providing increased funds for the agricultural experiment stations.

Consideration was given by the Committee to a suggestion from the Kansas Bankers Association for the formulation of a banking code of ethics. It was decided to ask the Kansas Bankers Association for more specific suggestions.

The Twelve Billion Dollar Building Market

By C. STANLEY TAYLOR

Definite Analysis of the Elements Which Have Contributed to Prosperity in the Building Construction Industry. Facts Suggesting Interesting Opportunities for Developing a Greatly Increased Volume of Commercial Banking in this Field.

DURING the past few years and particularly in the last three years the vast basic industry of building construction has quietly doubled its activity and tripled its banking requirements. From present indications several more years of prosperity are ahead for this industry and it is to be anticipated that the ramifications of logical credit demand in the form of mortgage and commercial paper will form direct contact with practically every banker in this country.

Industrial bonds, mortgage bonds, mortgage loans, bill of lading and trade acceptance discounts, increased payrolls and deposits, well secured notes and hundreds of refinancing operations will demand in 1924 and following years a liquid fund of four to five billion dollars annually which must pass in and out of the banks of this country during this unparalleled period of building construction activity.

The building industry is slow to move but once under way its ponderous momentum stirs every unit of our economic structure —and none more than banking in its every phase.

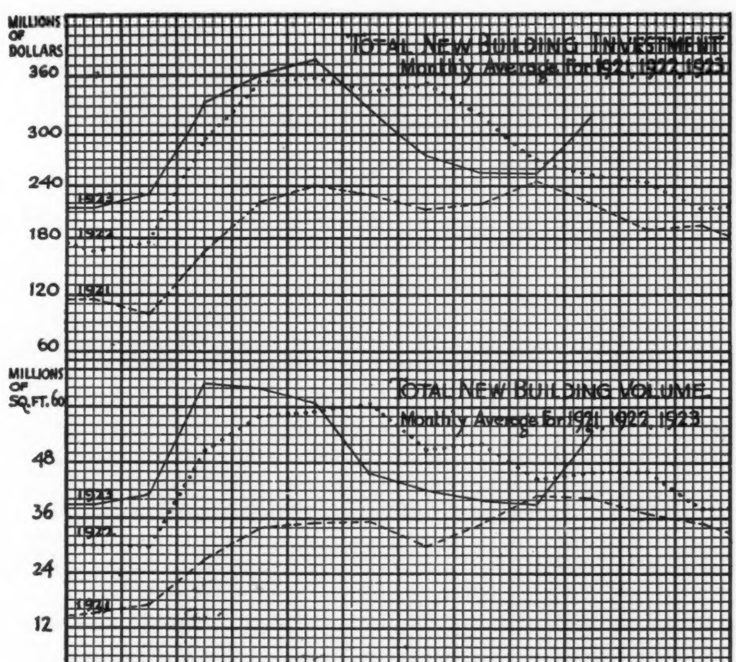
When any industry faces a condition of greatly increased demand there ensues a somewhat hectic period of disturbed credit conditions and the increasing of production and distribution facilities. Demand is greater than supply; salesmanship becomes order-taking; prices fluctuate violently and production costs rise. Then comes a period of stabilization during which the machinery of production begins to operate more smoothly and the demand can be measured and anticipated. In the building construction industry the year 1923 has shown evident signs of stabilization and reestablishment with increased facilities for production and better systems of distribution. A period has never been reached in this industry when the question of financing assumes a more highly important aspect, particularly the commercial banking relationship which is vital to the manufacturer of building materials and to dealers and jobbers who operate independent business organizations.

Mortgage money has been made available in almost unlimited amounts because this field is a specialized field of banking which is primarily of interest only to savings banks, trust companies and mortgage bond corporation. The public has shown great confidence in the building field by investing vast sums of money in private mortgage loans and in mortgage bond certificates or through deposits in savings banks. While the availability of this mortgage money is of direct business benefit to speculative builders, building investors and building contractors, it does not apply directly to the problems of the building material manufacturer who must often carry a large proportion of the production costs of building materials through the period of several months which elapses between production and shipment from the factory and the time when the materials go on the individual job.

As a matter of direct interest to every banker and to the building industry it is important that commercial banking institutions should have a clear understanding of the general situation in the building field today in order that more detailed consideration may be given to the banking problems of the individual manufacturer, dealer and contractor. Building material production on a profitable basis should be limited only mechanically and not hampered by serious difficulty in obtaining the credit or money necessary to cover production which is definitely required by the volume of new business produced in the sales department.

In view of the fact that the manufacturer's interest in a new building project is about 40 per cent of the total money spent on the project and that prices in this field

Chart Showing 3-Year Comparison of Building Activity, New Building Investment and Volume, 1921, 1922, 1923

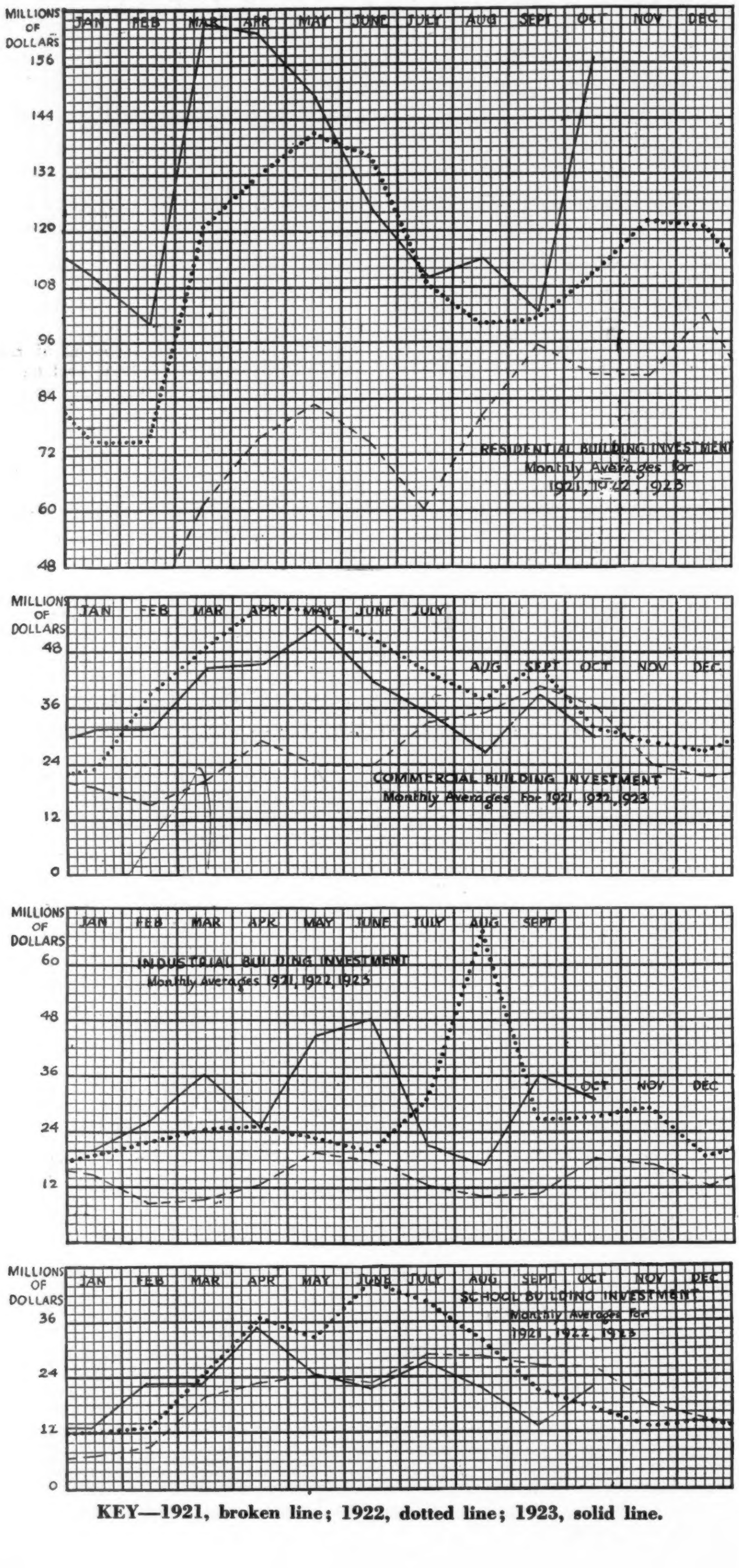


In this chart years are superimposed in order to provide basis for rapid comparisons in any month.

The first chart (above) shows total building construction in dollars and by volume for 1921, 1922 and 1923. Following charts are subdivisions into several important building types.

The Money Which Has Been Invested in New Buildings

(A Series of Seven Charts Showing Comparisons for Three Years)



KEY—1921, broken line; 1922, dotted line; 1923, solid line.

have been established on a profitable basis, it is evident that here lies an interesting opportunity for bankers' profit by stimulating sound production operations. The building industry has no national association or central source of information and with the exception of certain data developed by trade associations, the average manufacturer is not able to present to his banker a full economic picture of the general conditions which affect his individual business and credit.

It is believed, however, that conditions in the building construction industry today warrant the constructive interest of bankers and promise the development of a considerable volume of sound new business.

In this article a graphic picture is presented covering the investment in new build-

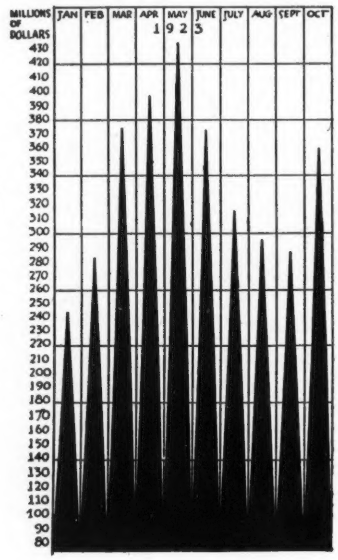


Chart for 1923 showing monthly excess of money spent for new buildings as compared with monthly average of 1913. Chart on opposite page shows volume of excess, the graphic difference representing the increased cost of building over 1913 costs.

ings in the years 1921, 1922 and 1923. The comparison is made first in Chart No. 1 which shows the total investment and volume of new buildings for the country and then is broken up into a series of charts indicating the relative activity in several building types. In presenting these charts, the years have been superimposed so that monthly comparisons are easy.

Practical Application of Construction Data

IT is quite probable that the average banker will quickly recognize the application of this information in respect to individual credit situations but it may prove of interest to indicate an example. We may assume for instance that a manufacturer of building material is seeking increased bank credits for the purpose of handling his 1924 volume of production. It is of direct interest to the banker to know that the manufacturer will probably dispose of his 1924 production at a

good price. The manufacturer can be asked to furnish the report of his sales during the three-year period beginning January, 1921, and the monthly volume of sales may be compared with general construction activity, as indicated by the charts, to determine how market trends have influenced his business. It will probably be found that where the line indicating new contracts has shown a considerable increase in activity, the manufacturer will show an increase in his business in a corresponding period but from two to six or seven months later, as it takes this length of time for a volume of general building contracts to pass through the stages of actually ordering materials, particularly when the materials come first through the stocks of dealers.

It may be that the product of this particular factory is used to a greater extent in one building type, such as residential, commercial or industrial buildings. His sales may therefore be compared to the lines on the individual charts for these types.

When a general comparison of a manufacturers' individual business has been made with the construction activity of the last three years, the banker is in a position to estimate what may be expected in 1924 if he has information as to the present market conditions and the 1924 general outlook in the building field.

The material in the accompanying charts and tables establish a reference file presenting a true picture of conditions and prospects in this industry. It is felt that detailed

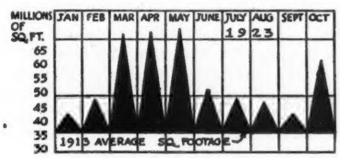


Chart for 1923 *showing monthly excess volume of new buildings (square foot totals) as compared with the monthly average of new contracts in* 1913.

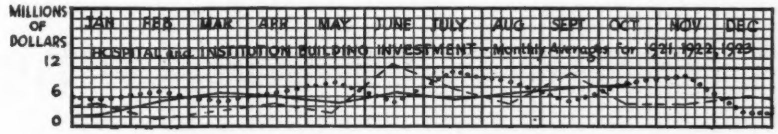
explanations are unnecessary as material used for illustration is self-explanatory.

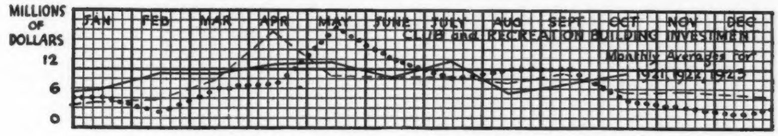
The importance of this field from the viewpoint of the banker is indicated graphically in the small triangle charts which show the average monthly excess expenditure of money in the building field for 1923 as compared to 1913.

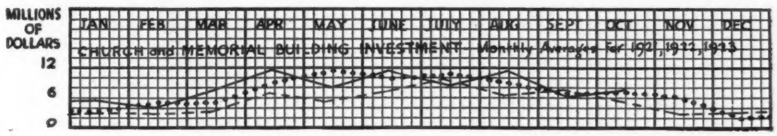
Farm Freight Burden

(*Continued from page* 422)

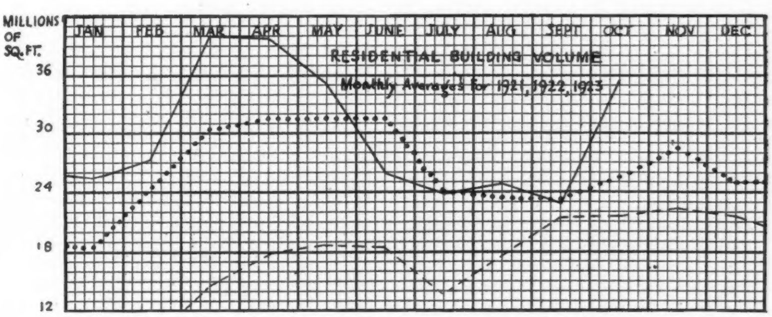
a long time before we assemble the basic data with respect to the relation to and the effect of these rates upon various commodities, industries and localities, from which to attempt a general revision of the rate structure. It is evident that facts like those which the Research Council of the National Transportation Institute is endeavoring to establish will be extremely helpful in setting up a scientific basis of fact upon which general or specific revisions of rate structure may be predicated. In all of this, the farmer is peculiarly interested because he is, in the aggregate, one of the largest shippers in the country vitally interested in both service and rates.

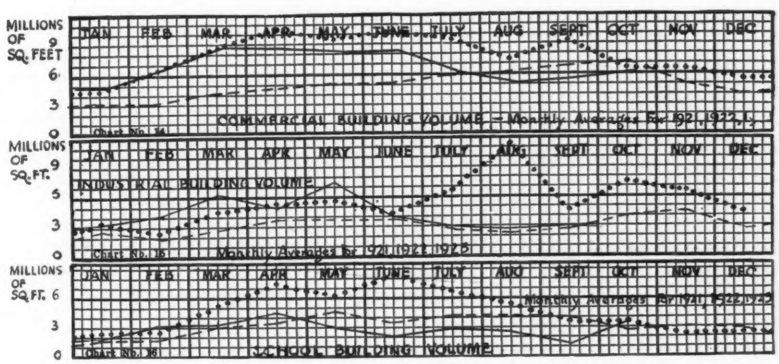






Structural Volume of New Buildings





Explanation of Accompanying Charts

A Comparison by Volume and Investment of the Relative Activity During the Years 1921, 1922 and 1923 in Each of Seven Important Building Types, Representing 95% of the Total Construction Activity of the United States

A careful examination of the accompanying group of charts will provide a definite analysis of the unusual building construction activity of the last three years. The charts show relative activity in several important types of buildings together with totals and monthly averages of money invested in this field.

KEY—1921, broken line; 1922, dotted line; 1923, solid line.

Opinions of the General Counsel

By THOMAS B. PATON

Collection of Bill of Lading Draft

A BANK in Kentucky purchased a draft with bill of lading attached upon a buyer in Mississippi and forwarded same to a Mississippi bank which collected the draft and withheld the remittance for ninety-six hours, as required by the local statute. Within that period the Mississippi buyer notified the Mississippi bank to withhold the funds pending settlement of claims against the drawer, and the Mississippi bank refuses to remit pending adjustment. The Kentucky bank inquires as to its rights. Opinion:—Under the peculiar judicial rule in Mississippi (repudiated elsewhere), a bank which purchases a bill of lading draft warrants the shipment, and by statute in that State, the collecting bank is required to hold the proceeds of a collected draft ninety-six hours to enable the buyer to examine his purchase, and if dissatisfied attach the funds. But where no attachment is sued within ninety-six hours, but only a notice given the local bank to withhold remittance pending adjustment, its duty, as debtor of the forwarding bank, is to remit the funds in payment of its debt at the end of that period. However, if it refuses to remit, the bank is not liable for conversion, but is merely a debtor and the forwarding bank must sue upon the debt, and if, before judgment, the debt is attached by the buyer for a valid claim connected with the particular shipment, such claim could be enforced; but, for any other claim by the buyer against the shipper, the purchasing bank's right would be superior to that of the attaching plaintiff.

From Kentucky:—On July 27 we received and passed to the credit of one of our customers, a B/L draft for $996.76, drawn on a firm in P., Miss. We in turn sent the draft as a cash item to the P National Bank, and in due course it was paid, and the draft and B/L surrendered to drawee. As we understand it the Mississippi laws require collecting banks to hold the funds paid in on B/L drafts for a period of 96 hours, which the bank did in this instance. During this period they were advised by drawees to withhold the funds pending settlement of some claims which they made against the drawer. The 96 hours having elapsed, we have demanded remittance but the P. National Bank contends that as the drawees have notified them to withhold the funds, they must do so pending adjustment, or the bank will be responsible to them therefor. The item was credited to our customer upon its delivery to us, but no discount was charged, the arrangement being that when the item is paid we charge our customer with the actual exchange and interest for the time the money has been used. We are writing to ask your opinion as to the legality of our claim against the funds, and whether or not it may be affected by reason of our not having charged a discount the day of its receipt.

Where a consignor transfers to a bank a bill of lading and a draft drawn by him upon the consignee for the price and the bank gives him credit therefor, the bank acquires title to the goods as against the attaching creditor of the consignor, though the credit has not been drawn out before the attachment. First Nat. Bank v. Mt. Pleasant Milling Co., 72 N. W. (Iowa) 689, citing numerous cases. The court in the above case said:

"If the bank had simply undertaken the collection of the purchase price as agent of the Commission Company, then the title to the grain remained in the latter company, and it was subject to attachment until delivered to and paid for by the Roller Mills. But if the bank purchased the draft, and accepted the bills of lading as collateral security, or if it purchased the grain outright, and accepted the bills of lading as evidence of this purchase, or if, in consideration of the indorsement and delivery of the bills of lading, it made or agreed to make certain definite future advances, it acquired a title to the grain which could not be defeated by a subsequent attachment."

Your bank having given credit for this draft was the owner thereof, as distinguished from collecting agent and, ordinarily, would have a special title to the goods covered by the bill of lading or to the proceeds of the draft superior to an attaching creditor of the shipper.

But there is a peculiar judicial doctrine in Mississippi, which is not recognized by the courts in any other State but has been expressly repudiated in a number of States, to the effect that a bank which purchases a draft with bill of lading attached assumes liability as a seller of the goods and is warrantor of the shipment covered by the bill of lading. Citizens Bank & Trust Co. v. Haspeth Nat. Bank, 82 So. (Miss.) 329, reaffirming prior Mississippi decisions. A large majority of courts hold to the contrary that the bank while a purchaser of the draft, is not a purchaser of the goods and does not incur seller's liability to the purchaser, after he has paid the draft, for defects in the goods.

There is also a statute in Mississippi (Sec. 7637, Miss. Code 1917) which provides: "A bank or other person collecting a draft with a bill of lading attached, shall retain the money so collected for the space of 96 hours after the delivery of the bill of lading."

Construing this statute the Supreme Court of Mississippi in Alexander Co. Nat. Bank v. Conner, 70 S. 827, said:

"This section was enacted for the purpose of having the collecting bank remain the debtor of the consignor or its assignee for a sufficient length of time, during which the consignee could examine his purchase and bring suit, if necessary, at his domicile by attachment and garnishment of the funds in the hands of the collecting bank. But the relation of debtor and creditor between a consignor or his assignee and the collecting bank exists under this statute just as under the common law."

The special point decided in the above case was that, where a collecting bank fails it does not hold the proceeds collected as a trust fund, but as a debtor, the statute being intended merely to give the consignee sufficient time to investigate his purchase and, if dissatisfied, sue by attachment in the local courts.

Applying the above to the case presented by you, your bank being owner of the draft and the Mississippi collecting bank being debtor to you for the proceeds, it was its duty to remit the amount to you after the 96 hours had elapsed unless, before the expiration of that time the drawee who paid the draft attached the proceeds because of some defect in the goods or some obligation of the shipper connected with the shipment as, for example, that freight charges which he should have paid were included in the draft or that the draft was for a larger amount than the agreed price. I do not think that the mere notification or instruction of the drawee-consignee to the Mississippi bank not to make remittance because he has some claim against the shipper, entitles that bank to hold the remittance, after the 96 hour period has elapsed. Unless attachment suit is brought within the 96 hours it is the duty of the collecting bank to make the remittance.

Assuming however the Mississippi bank wrongfully withholds remittance after the 96 hours, no attachment suit having been brought within that period, what is the redress of your bank? You cannot sue that bank for conversion as the bank according to the Mississippi law is a mere debtor and according to the decisions a debtor is not guilty of conversion by merely withholding payment of the debt. You, of course, would have a cause of action against that bank as debtor for the amount but should an attachment suit prevail upon a valid claim against your bank this would prevent your obtaining judgment; however, as before shown, the attachment could not prevail because of some general indebtedness of the shipper arising out of prior shipments, but only in case of a claim against your bank on the particular shipment. Furthermore, I think, you would have a cause of action against the Tennessee bank for negligence in delaying the remittance for, in addition to being a debtor, that bank is a collecting agent under duty to use reasonable diligence and if by reason of its delay in making remittance, your bank suffered loss, it would be responsible. However, in this case also should there be an attachment proceeding on a valid claim against your bank, this might go in mitigation of damages. See on this point Roberts v. Stuyvesant Safe Deposit Co., 25 N. E. (N. Y.) 294.

Indorsement for Trust Company by Clerk

QUESTION is raised as to the legality of an indorsement of a check payable to a trust company, indorsed in the name of the trust company by a clerk followed by his own name. Opinion:—The indorsement, if authorized, is in legal form to pass title, but it would be unsafe for another bank to cash, or for the drawee to pay a check so indorsed in the absence of clear

proof of authority of the clerk to indorse the payee's name and negotiate or collect the check.

From Massachusetts:—Would the following indorsement constitute a full legal indorsement for the Trust Company mentioned, i.e., "A. B. Trust Company, L., Mass., Oct. 1, 1923, John Doe," the indorsement not being the customary rubber stamp indorsement but in the clerk's own handwriting and known to be a clerk of said Trust Company by this bank. If it does constitute a full legal receipt, would this bank be justified in cashing checks for any amount on similar indorsements and have full recourse against the Trust Company? Please note that the question that we stress is not so much where we give our own check in payment but where we are asked to pay the actual cash.

In the case stated, a check is made payable to a designated trust company and is indorsed by a clerk of the trust company in its name, his own name following. So far as the form of indorsement is concerned, it is legally sufficient to pass title to the check assuming the clerk has authority to indorse the payee's name, but whether or not the bank could safely cash the check upon such indorsement would depend entirely upon whether the clerk of the trust company had authority from his principal to indorse and collect the check. I am assuming this inquiry is from the bank upon which the check is drawn. In such case, it would be undoubtedly unsafe to pay the check without clear evidence of authority of the clerk to indorse and receive the cash, for in the event the indorsement was unauthorized, the drawee which paid the cash thereon to the clerk could not charge the amount to the drawer. If this inquiry is from a bank other than the drawee, which is asked to cash the check for the clerk—the inquiry whether the bank which cashes the check would have full recourse against the trust company somewhat suggests this inference—the same conclusion would apply, i.e., it would be unsafe to cash the check for the clerk without evidence of authority, for if the indorsement was unauthorized, and payment of the check was stopped, the bank could not recover from the trust company as indorser or, if it collected the check from the drawee, it would be compelled to refund the amount.

Statute of Limitations on Indorser's Liability

An indorsed note, dated Jan. 5, 1920, payable one year after date, with waiver of demand and protest was executed in the District of Columbia where the statute of limitations bars the liability after three years. On Jan. 25, 1921, the maker made a partial payment. The question is asked whether such partial payment by the maker continued the note as to the indorser beyond the three year period from date of the note. Opinion:—*Part payment by the maker after the statute of limitations has commenced to run does not suspend the running of the statute as to the indoser whose liability will be barred at the end of the original statutory period of limitation, although the liability of the maker is extended by such part payment beyond such period. But in the present case, the part payment being made on the day of maturity, the note has three years to run against both maker and indorsers, and the cause of action does not expire until the end of Jan. 5, 1924.*

From District of Columbia:—A note for $1,000 dated January 5, 1920, payable one year after date, signed by A and indorsed by B and C, both indorsers waiving presentment, demand and protest, fell due and was not paid. No new note was obtained. However, on January 5, 1921, a payment on account of the note was made and indorsed on back of note.

As you know, in the District of Columbia the statute of limitations runs out on a note after three years unless a payment has been made on account, which in this case has been done.

Our question is, can the indorsers be held beyond the three year period from date of note, or does the payment made on account of the note carry the liability of the indorsers as well as the maker for three years longer?

The indorser of a promissory note is not a joint obligor with the maker and by the great weight of authority payments on account by the maker do not suspend the running of the statute of limitations as to the indorser. (McBride v. Hunter, 64 Ga. 655; Kallenbach v. Dickinson, 100 Ill. 427; Mozingo v. Ross, 150 Ind. 688, 50 N. E. 867; Steele v. Sonder, 20 Kan. 39; Lincoln Academy v. Newhall, 38 Me. 179; Faulkner v. Bailey, 123 Mass. 588; Buckminster v. Wright, 59 N. H. 153; Smith v. Dowden, (N. J.) 1919, 105 Atl. 720; Shutts v. Fingar, 100 N. Y. 539, 3 N. E. 588; Barber v Absher Co. (N. C.) 96 S. E. 43; White v. Coal Co. (Pa.) 109 Atl. 873; Bank v. Hastings, (Pa.) 106 Atl. 308; Walters v. Kraft, 23 S. C. 578; Arbuckle v. Templeton, 65 Vt. 505, 35 Atl. 1095; Cockrill v. Sparkes, 1 H. & C. 699.

If, in the case you submit, the three year period, as you assume, ran from Jan. 5, 1920, the date of the note, a partial payment by the maker made Jan. 5, 1921, and indorsed on the note in question would only extend the statutory period as to the maker and would not interrupt the running of the statute of limitations as far as the indorsers are concerned, and the note would be outlawed as to them. But you are in error in assuming that the three year period runs from the date of the note. The cause of action accrues and the statute begins to run only at the time the note matures. Therefore, in the case of the note in question dated Jan. 5, 1920, and payable one year after date, the statute of limitations begins to run in favor of either maker or indorsers only from Jan. 5, 1921, and the liability of the indorsers is not barred until the end of Jan. 5, 1924. As the maker made his part payment on the day of maturity, such part payment, even as to him, had no effect in continuing the three year period beyond the time the note would be otherwise barred by the statute, because such payment was not made after but only at the time the cause of action accrued and the statute began to run.

Bank's Liability for Notary's False Acknowledgment

Deeds and mortgages deposited with a bank in escrow are acknowledged before a notary who is an officer of the bank, his fees therefor being paid over to the bank. Question is asked whether the bank could be held liable in damages where the notary certifies a false party as making the acknowledgment. Opinion:—The notary and his sureties would be liable for negligence in taking the acknowledgment and while in the case of commercial paper banks in some states are held liable for the neglect of their notaries (this being denied in others on the ground that the notary is a public official and not the agent of the bank) the taking of an acknowledgment is solely an official act and not an act of the bank, even though it takes the fees, the contract to take which is illegal, and the bank would not be liable for neglect of the notary in taking an acknowledgment.

From California: Our Assistant Cashier acts as Notary Public and is paid a salary for his services as Assistant Cashier and the Notary fees come to the bank out of the proceeds of the different escrows which he handles. It might be that in some instances he takes the fees for acknowledgments made to parties who have acknowledgment work done other than those who have an escrow.

He is called upon to acknowledge deeds and mortgages in the sale of property many times for people who have moved here from the East and who are brought in by the Real Estate Agents.

I am desirous of having your opinion relative to the bank's financial responsibility in the acknowledgment of deeds or mortgages. The Notary is under a bond and a representative of the state in acting in that capacity, still he is in the employ of the bank.

Kindly give me your opinion as to the liability of the bank on any of these acknowledgments taken, should it turn out that the man buying or selling is not the party he represents himself to be.

The situation described, as I understand, is this: Deeds and mortgages are executed between third parties and deposited in escrow with the bank to be delivered upon performance of some condition. The acknowledgments of such instruments are taken before the bank's notary, whose fees go to the bank. In case the notary mistakenly certifies as to the identity of a party making an acknowledgment and damage results, the question is asked whether the bank can be held responsible.

So far as the notary himself is concerned, it has been held that if a notary certifies an acknowledgment without knowledge as to identity of the party and without careful investigation, he is negligent and he and his sureties are liable for all resulting damage. Barnard v. Schuler, 110 N. W. (Minn.) 966. But it has been held in your own state of California that where a person executing a mortgage has been introduced to the notary by the mortgagee's agent and the notary sees the person so introduced execute the mortgage by signing it with the name given him by the mortgagee's agent, who witnesses the signature, the mortgagee cannot on discovering that the mortgage was not executed by the owner of the land, maintain an action against the notary's sureties for his alleged negligence. The mortgagee is estopped by the act of his own agent. Overacre v. Blake, 22 Pac. 979.

There being a liability of a notary where he is negligent in taking and certifying a false acknowledgment, would the fact that the notary is an employee of the bank and the bank receives his fees, charge it with liability in any such case?

Where a notary is negligent in connection with the collection of commercial paper and charging the parties thereon, the courts have rendered conflicting decisions as to the liability of the bank for the acts of its notary. Some courts hold that, being a public officer, he is alone liable and the bank is not chargeable. Britton v. Nicolls, 104 U. S. 757; Baldwin v. Bank, 1 La. Ann. 13; Citizens Bank v. Howell, 8 Md. 530; Warren Bank v. Suffolk Bank, 64 Mass. 1082; First Nat. Bank v. Butler, 41 Ohio St. 519. And

it has been held to make no difference that the notary is also an employee of the bank. May v. Jones, 14 S. E. (Ga.) 552; First Nat. Bank v. German Bank, 78 N. W. (Iowa) 195. On the other hand, the courts of other states hold that the bank which receives paper for collection and intrusts it to a notary, assumes the duty of a collecting agent and is liable for the notary's defaults. Davey v. Jones, 42 N. J. Law 28; Ayrault v. Pacific Bank, 47 N. Y. 570; Thompson v. Bank, 3 Hill (S. C.) 77. And where a notary was employed by a bank to do all its notarial business and gave bond to the bank for the faithful discharge of his duties, the bank was held liable for his negligence in causing the discharge of an indorser, as in this instance he was not acting in the character of an independent officer in the discharge of a duty devolved upon him by law, but as agent of the bank. Gerhardt v. Boatman's Sav. Institution, 38 Mo. 60.

The above citations are not exhaustive of the authorities on both sides of the proposition.

However, in the present case, the bank is not performing a duty as agent in the collection of commercial paper, part of which duty requires it to select a notary to protest the paper, but its function is to receive on deposit in escrow deeds and mortgages for future delivery. Apparently it is no part of the bank's duty as agent of the parties to provide for the preparation of such papers or select a notary to take the acknowledgments. But as matter of convenience, the parties execute and acknowledge such papers at the bank and the bank's notary, being conveniently at hand, is employed by them to take the acknowledgment. In such situation, it seems to me, there is no agency or contractual relation on the part of the bank which would make it responsible on this ground for the neglect of the notary. It is not the bank through its employee which is performing the service of taking the acknowledgment. It is the notary in his official capacity charged by law with this duty, who is performing the service.

The bank, then, is not responsible for the negligence of the notary unless the taking of the fees by the bank would make it a co-principal with the notary and as such responsible. I do not think it would be so held, for it is beyond the power or function of a bank, acting through a public official, to take an acknowledgment. Furthermore, the bank legally has no right to the fees. In a well-considered decision by the Court of Appeals of the District of Columbia (Hopkins v. Ohio National Bank, 8 App. Cas. D. C. 146) a notary sued the bank for notary fees earned by him and paid to the bank during a period of over two years under an agreement whereby, in consideration of his employment by the bank, he would pay over one-half of his legal fees to the bank. The court held the bank must refund the fees and that there was no sufficient consideration for the notary's agreement. It said the notary is a public officer, his fees are prescribed by statute, the notary himself has no right to ask more or less than the fees prescribed, nor has any person for whom the notary performs service, the right to require such services for less than prescribed fees. There was, therefore, no valid consideration for the notary's agreement, nor could mere favoritism in selecting the notary in preference to others to perform the work be regarded as constituting a valid consideration. Furthermore, the court held that even if the agreement could be regarded as founded upon consideration, it would be in contravention of sound public policy and void.

Even though a bank receives under an illegal agreement fees paid a notary for taking acknowledgments, this is a matter between bank and notary and the act of taking such acknowledgments is that of the notary alone in his official capacity and for negligence in performing such official service, he alone would be liable. The precise point has never come before a court for decision, but in my opinion the bank would not be liable for damages because of a false acknowledgment to a deed or mortgage taken by its notary prior to the instrument being deposited with the bank in escrow.

Notes Payable at Bank

THE alleged custom of banks in a West Virginia city which hold notes payable at other banks in the city is to mail notices to the makers, before maturity, that such notes are held by the notifying bank and in event of nonpayment at the close of banking hours on the day of maturity, to hand to a notary for presentment to the bank where payable. Question is asked whether this custom is sanctioned by the Negotiable Instruments Act and whether it is not incumbent to present such notes at the payor bank during banking hours. Opinion:—The maker is not discharged by omission to present during banking hours but, having funds in bank, he is in the position of having tendered payment which tender must be kept good by retaining the funds on deposit or paying into court, if sued. But it would seem the indorsers would be discharged by nonpresentment during banking hours as presentment after banking hours, where the funds were sufficient during such hours, would not be a sufficient presentment within the requirement of Section 75 of the Negotiable Instruments Act.

From Pennsylvania: In the handling of collection business the writer's attention is frequently called to the fact that notes made payable at specified banks are not presented during established banking hours but are retained in the possession of the presenting bank and notices mailed to the makers requesting that they call and make settlement. The makers in such instances complain that their wishes have not been observed in that they expect their notes will be presented where indicated and that they will not be called upon to pay elsewhere. An incident which took place in Wheeling, West Va., has just been investigated and in reply to an inquiry addressed to our corresponding bank on the subject we have a reply from which the following is a quotation: "It is not our custom to send notes, before maturity, to the various banks in Wheeling at which they may be made payable. We notify the maker by mail that the note is held by this bank and in the event that the note is not paid by 3 p. m. on the day of maturity, it is handed to our notary, who presents it for payment to the bank at which the note is payable. This procedure is followed by every bank in Wheeling." In Philadelphia, notes payable at banks are charged through the Clearing House Exchanges and are only presented by the notary after business hours in the event of dishonor on the initial presentation. Is the custom in Wheeling sanctioned by the Negotiable Instruments Act as adopted in that State or rather, is it not incumbent upon the holding bank to present at the place of payment specified during the established banking hours. Your opinion on this point will be very much appreciated as the question is very often asked by our customers.

In considering whether the alleged custom of Wheeling banks is sanctioned by the Negotiable Instruments Act, a distinction must be observed between makers and indorsers of notes payable at bank with respect to the effect of such custom upon their respective liabilities. It will be of interest to first refer to the pertinent provisions of the Negotiable Instruments Act:

Section 70. Presentment for payment is not necessary in order to charge the person primarily liable on the instrument; but if the instrument is, by its terms, payable at a special place, and he is able and willing to pay it there at maturity, such ability and willingness are equivalent to a tender of payment upon his part. But except as herein otherwise provided, presentment for payment is necessary in order to charge the drawer and indorsers.

Section 72. Presentment for payment, to be sufficient, must be made (1) by the holder or by some person authorized to receive payment on his behalf; (2) at a reasonable hour on a business day; (3) at a proper place as herein defined * * *.

Section 73. Presentment for payment is made at the proper place (1) where the place of payment is specified in the instrument and it is there presented * * *.

Section 75. Where the instrument is payable at a bank, presentment for payment must be made during banking hours, unless the person to make payment has no funds there to meet it at any time during the day, in which case presentment at any hour before the bank is closed on that day is sufficient.

Section 87. Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon.

Section 120. A person secondarily liable on the instrument is discharged * * * by a valid tender of payment made by a prior party * * *.

So far as the maker is concerned Section 70, it is seen, provides that presentment for payment is not necessary to preserve his liability; but where a man makes his note payable at bank where he has sufficient funds to meet it on the day of maturity, the result of a failure to present during banking hours is to place the maker in the position of having tendered payment of the note, the effect of which tender is to stop the running of interest and bar the recovery of costs should he be sued upon the note. The tender, however, must be kept good in order to be effective. In the case of a note made payable at a bank it would seem that the tender is kept good where the money is left on deposit in bank subject to payment to the creditor upon demand, and if the maker is sued, the money should then be deposited in court. Riley v. Cheeseman, 27 N. Y. Supp. 453; Balme v. Wambaugh, 16 Minn. 116; Hills v. Place, 46 N. Y. 520; Miller v. Bank of Orleans, 5 Whart. (Pa.) 503. The alleged custom of Wheeling banks with respect to the makers of notes would, therefore, seem to result as follows: The holding banks are not obliged to present such notes during banking hours on the day of maturity, at the banks where payable, but neither are the makers of the notes obliged to pay such instruments at the place of the holding bank or elsewhere than at their own banks. Their notes are, by their terms, made payable at such banks and having the money to their credit on the day of maturity constitutes a valid tender and if payment is not demanded before the close of banking hours

there is no dishonor which authorizes protest. The money remains at bank subject to call of the holder of the note. As between maker and bank of payment, it might be desirable, however, that the bank should be expressly instructed to pay such notes when presented after maturity in order to remove any question of doubt as to the authority of the bank to pay an overdue note. But should the bank fail before the note is presented, it is questionable whether the maker would be relieved as in case of the drawer of a check. See this point discussed in Digest of Legal Opinions, 1921, paragraph 2555.

Coming now to the situation with respect to indorsers, Section 70 of the Negotiable Instruments Act, it is seen, provides that presentment for payment is necessary in order to charge the indorsers; which presentment, under Section 72, must be made at a reasonable hour on a business day and at a proper place, which place, according to Section 73, is the place of payment specified in the instrument. The reasonable hour on a business day is, under Section 75, in the case of instruments payable at bank, specifically limited to "banking hours," with the exception that if the maker has no funds at bank at any time during the day, the time for presentment is extended beyond banking hours to the closing period. Section 75 covers and regulates the customary practice of presenting checks and notes payable at bank through the clearing house and if returned not good, of handing to a notary at the close of banking hours for the purpose of formal presentment and protest. It would seem to follow that if an indorsed note payable at a bank where the maker had sufficient funds was not presented during banking hours, the indorser would be discharged for the twofold reason (1) of insufficient presentment by the holder and (2) by a valid tender of payment, as provided in Section 120. In Thompson v. Curry, 91 S. E. (W. Va.) 801, the court held that to render an indorser of a note payable at a bank liable "presentment for payment at the time and place designated in the paper and notice of dishonor are essential, unless he waives these requirements." It is doubtful whether presentment of a note payable at a bank holding sufficient funds of the maker, first made after the close of banking hours but before the closing of the bank, would be held sufficient to charge indorsers where payment was refused and it is quite possible that cases might arise under the alleged practice in West Virginia where, after close of banking hours, the maker might instruct the bank not to pay and the holder's recourse upon the indorsers would be lost.

The general conclusion then is that the alleged practice of holders of notes payable at bank to notify the makers that they are held by the notifying bank and if not paid at three o'clock, the closing hour, to hand them to a notary for presentment at the bank where payable, may result in the discharge of indorsers; but the liability of the maker remains to the extent of the amount due at maturity without future interest or costs, with the possible risk of loss to the holder in case of failure of the maker after the closing hour, before payment of the note. The maker of such a note, although within his rights in insisting that payment be made at the bank, must keep the deposit good and may take the risk of continued solvency of the bank. It would seem the practice of Philadelphia banks to present such notes through the Clearing House on the day of maturity and only in case of unpaid notes to cause presentment by a notary after three o'clock for the purpose of protest, accords with the more general practice and is the safer from the standpoint of the presenting bank as, under it, there is no risk taken of losing the liability of indorsers or of losing recourse upon the maker of the note in the event of his failure after close of banking hours.

Change Made in Running Government-Owned Fleet

A MAJOR change in the policy under which the government-owned merchant marine has been run was determined upon by the Coolidge administration early in January, when the decision was reached to divorce the control and operation of the fleet from the Shipping Board. Rear Admiral Leigh C. Palmer, retired, was named as president of the Emergency Fleet Corporation by President Coolidge, and announcement made that he would serve as the active directing head of the commercial operations.

The decision means that the Shipping Board will become what it was originally intended to be—a regulatory body, having jurisdiction over overseas and intercoastal shipping. The Emergency Fleet Corporation, which has been the operating arm of the Shipping Board, promises to develop into a huge maritime enterprisefi run as far as possible along established commercial lines. To what extent the Shipping Board commissioners will give directions to the operation of the government-owned ships in overseas trade, through the formulation of policies, is as yet an unsettled matter, but it is indicated that the Emergency Fleet Corporation will be permitted to decide all traffic and operating questions without reference to the Board.

Improvement in the shipping industry is looked for during 1924, although the leaders do not see how any substantial progress in the direction of a marked recovery can come until the reparations question is settled and Germany's productive capacity is restored. Some officials of the Shipping Board have expressed the belief that shipping might soon "turn the corner," after years of an unparalleled depression, and point to the recent advances in ocean freight rates on the North Atlantic to Continental European ports and to the east coast of South America as hopeful indications. There were a number of applications at the first of the new year for the allocation of additional steamers to the various trade routes.

The Shipping Board has marked time more or less for the past two years, but late in 1923 adopted a program, calling for several definite steps to bring about a change in conditions. Announcement was made that the Board would carry out its consolidation scheme of merging duplicating overseas cargo services, thus reducing the number of operators and cutting down the number of ships assigned to the various routes. As a first step, the number of managing agents, operating government-owned vessels from North Atlantic ports to the United Kingdom, was reduced from five to two. Comparable measures were in contemplation on other routes.

The decision was reached to modify the much assailed MO-4 (Managing Operators Contract No. 4) contract, so that the operating lines, handling vessels for government account, would receive as their whole compensation a percentage of the gross freight revenues. The ships are to be run under a system similar to the New England ship husbanding plan, it was stated. To make it possible for the government to sell services instead of ships, when the time is propitious for the transfer of the merchant vessels to private interests, the Board decided to give each general cargo service a trade name. In the past the managing agents have used their own names to identify the various overseas ventures. With the view of "Americanizing" the operation of its ships, notice has been served on all managing agents that they must not act as the representatives of any foreign lines.

The drain on the Treasury growing out of deficits sustained by the Shipping Board in running the merchant ships in overseas trade promises to be less during the next fiscal year than in the past. An appropriation of $30,000,000—representing a reduction of $20,000,000—is being sought, although a slight upturn in ocean freight rates might result in a further cut. The losses, which have been reported by the Shipping Board during the past few years, were not figured on a commercial basis, however, and are mere statements of the excess of cash outgo over incoming revenues. No allowance is made for interest on investment, depreciation or other fixed charges, which a privately owned steamship company would have to provide for in determining profits and losses.

The divorcement of the Shipping Board from the actual operation of merchant vessels was advocated by Senator Jones of Washington, chairman of the Committee on Commerce, and was approved at a White House conference by majority and minority leaders on shipping. It won the endorsement of the private American shipping interests, who generally have been critical of many recent acts of the Shipping Board.

Despite the losses piled up by the Shipping Board, the administration intends to continue the operation of American vessels on essential trade routes. President Coolidge, in his message to Congress, stated that there was no alternative. The time is not favorable for the sale of any considerable number of ships to private interests, although negotiations are still in progress for the purchase of the fleet of ten trans-Pacific passenger liners by western interests.

Recent Decisions

DIGESTED By THOMAS B. PATON, JR.
Assistant General Counsel

CHECK WITHOUT FUNDS—That Accused Had Money Coming Which He Intended to Deposit to Cover Check Not a Defense—California

KING drew a worthless check for $1,450 in payment for a diamond ring. He was tried and convicted on the ground that at the time he drew the check he knew he did not have sufficient funds to cover it. On appeal it was brought out that he had sufficient money due him from other people which he intended to deposit in the bank on the day following that upon which he issued the check. He testified, in the lower court, that, on the evening of the day upon which he delivered the check to the Zemansky Bros. he suffered a nervous breakdown, and that as a result thereof, he became mentally so aberrated that he did not realize any acts that he did or movements that he made until several days thereafter, when, upon the restoration of his normal mental condition, he found himself in the town of Calexico, in Imperial county, near the Mexican line.

The court held that the only issue in the case was whether or not he had money on deposit or credit at the time of drawing the check and the fact that he intended to make a deposit to cover the same and that he suffered a nervous breakdown was not material or relevant to the issue and did not constitute a defense. People *v.* King, 219 Pac. (Cal.) 753.

NOTES—Holder in Due Course—South Dakota

GOLD BROS. SECURITY CO. owned a note and mortgage made payable to it. It duly acknowledged and assigned the note and mortgage in blank and sent them to one Wood at Kansas City pursuant to a telegram from Wood to the effect that he had a customer who would buy said note and mortgage. Instead of Wood's effecting the deal as agreed, he pledged the note and mortgage to X as security for a loan to himself. X had no knowledge of Wood's wrongful actions. Wood defaulted in the payment of the loan, whereupon X inserted its name as indorsee of the note and assignee of the mortgage, and recorded same. Gold Bros. Security Co. then brought this action to cancel the assignment and to be decreed the owner of the note and mortgage.

Held, that Gold Bros. Security Co. was not entitled to the relief sought. The right of a holder of a negotiable instrument for value before maturity cannot be defeated without proof of actual notice of the defect in the seller's title or of bad faith on the part of the purchaser. It is not enough that the circumstances are such as to put him upon inquiry. Gold Bros. Security Co. *et al v.* Fidelity Trust Co. *et al.*, Supreme Court of South Dakota.

THE fact that a man intends to deposit money to cover a worthless check is no defense in a criminal action for drawing a check without funds.

THE right of a holder of a negotiable instrument for value and before maturity cannot be defeated without proof of actual notice of the defect in seller's title or of bad faith on the part of the purchaser.

AN officer issuing a license to a corporation to sell stock is not responsible when it turns out that the stock is worthless because of a fraudulent scheme.

"THEFT" in an insurance policy means "larceny" and where the acts of a stranger do not constitute larceny but the crime of obtaining money under false pretenses, a bank could not recover on such policy.

A PRESUMPTION of due presentment of a note might arise from a notary's certificate, but the statement by a teller in the notice of dishonor that payment was demanded and refused is not evidence that presentment was made as required by statute.

IT is held in Massachusetts that where a note which was an asset of the savings department of an insolvent trust company was unpaid, the maker had no right to apply his deposit in the commercial department as a set-off.

Insurance — Theft Insurance. Construction. Larceny. Meaning of "Theft."—Iowa.

A BANK carried a policy of theft insurance covering loss through various causes. The policy contained the following provision:

"B. Through robbery, burglary, theft, hold-up, destruction or misplacement, while the property is within any of the Insured's offices covered hereunder, whether effected with or without violence, or with or without negligence on the part of any of the Employees." And further:
"E. This bond does not cover any loss caused from an over-payment by a teller to a customer."

A stranger appeared at the bank and deposited $6,875 in currency. The following Saturday, an hour before closing time, this stranger presented his check to Richter, one of the tellers, for $6,200. Richter ascertained from the bookkeeper that there were sufficient funds, and paid the check. While he was counting out the money, a telephone message came to the bank for Richter, and was carried to him by a bookkeeper, to the effect that Richter was wanted at once at a certain hospital where a member of his family lay seriously injured. Richter hurried away. Immediately after he left, the stranger hurried over to another teller and presented another check for $6,200. This teller took the check over to the vice-president, and the latter, knowing nothing of the previous check, inquired of the same bookkeeper as was just previously consulted, concerning the check. The bookkeeper, not knowing the first check had been paid, said the cash was there sufficient to meet it. The second check was paid and the stranger quickly disappeared. The bank sued on the insurance policy for the amount of the loss.

The question presented was whether the crime was a theft, or obtaining money by false pretenses. If the former, the bank could recover according to the terms of the policy; if the latter, there could be no recovery.

Held, that the bank could not recover on the policy. "Theft" as used in the policy meant "larceny" and the acts of the stranger did not constitute larceny but the crime of obtaining money by false pretenses. The court said:

"If the owner of the property be induced by a fraudulent trick to loan it to the wrong-doer for temporary use and return, and if the wrong-doer so borrow the same with intent to appropriate to his own use and does so appropriate, the offense is larceny. On the other hand, if the owner be thus fraudulently induced to sell or trade his property and to part with it absolutely to the wrong-doer, the offense is that of obtaining property by false pretense."

The court said further:

"Losses resulting through the mistakes of employees or officers, even though induced by fraud, are not, in terms, within the scope of the insurance. The quality

of mistake of the employees, strongly characterizes the circumstances of this loss. If the bookkeeper had not been mistaken in her own inference that Boyer was presenting to Leinbaugh the same check which he had presented to Richter a moment before, the loss could not have occurred."

Cedar Rapids Nat. Bank *v.* Amer. Surety Co., Supreme Court of Iowa.

"Blue Sky" Laws—Officer Issuing License to Corporation to Sell Stock. Held not Responsible for Its Worthlessness—South Carolina.

IN 1915, the South Carolina Legislature passed an act requiring investment companies intending to engage in the sale of stocks, bonds, etc., to secure a license from the Insurance Commissioner. The latter issued a license to the Ohio C. Barber Fertilizer Company. The license form provided by the statute was as follows:

"This is to certify that the * * * has this date been given permission to sell $.......... of its............ within the State of South Carolina. The Commissioner does not recommend the purchase of this security.
Dates ....
In witness whereof I have hereunto affixed my seal, ... (Seal)
Insurance Commissioner."

The stock was worthless. This action was begun by a purchaser of the Fertilizer Company's stock, against the Insurance Commissioner, for $25,000 paid for the worthless stock on the theory that the company was a fraudulent scheme, and that the Insurance Commissioner negligently licensed it.

Held, that the Insurance Commissioner was not liable. It was not the intention of the Legislature to require the Insurance Commissioner to underwrite all the companies he licensed, and the wording of the license certificate in itself precluded the assumption or inference that the Insurance Commissioner even recommended the stock of the company to which he granted a license.

Winter *et al. v.* McSwain, *et al*, Supreme Court of South Carolina.

NOTES—Notice of Dishonor. Evidence of Mailing. Statement by One Not a Notary Raises no Presumption of Presentment and Demand—Massachusetts.

THIS was an action on a promissory note dated April 24, 1920, and payable in 90 days to the plaintiff at its place of business. The maker was the New England Macaroni Manufacturing Company and the other defendants were indorsers.

A written notice of dishonor, signed by the teller of Commercial Trust Company and addressed to each of the indorsers at his place of business or residence, was made out on July 23, 1920, and placed on the mail clerk's desk in the bank. The teller testified that, according to practice, the mail clerk, at the close of business, stamped the mail and put it in a bag which he delivered to the post office, every day; that, on July 23, 1920, the mail was stamped and delivered at the post office according to custom, and that on the envelopes appeared the instruction: "If not delivered within three days return to Box 1245, Springfield, Massachusetts"; that box 1245 was the plaintiff bank's box, and that no mail addressed to defendants was returned.

Held, that on the testimony, it could not be ruled as a matter of law that no notice of dishonor was sent. Plaintiff was required to show that the note was presented for payment, in order to hold the indorsers. On the record, there was nothing to show such presentment. A presumption of due presentment might arise from the certificate of a notary under his hand and seal, but there was nothing to show that the teller was a notary public, and no evidence of a certificate of a notary showing presentment. The statement by the teller in the notice of dishonor that payment was demanded and refused was not evidence that presentment was made as required by the statute.

Commercial Trust Co. *v.* New England Macaroni Mfg. Co. *et al.* Supreme Jud. Court of Mass.

NOTES—Deposit in Commercial Department Cannot be Set Off Against Debt Owed to Savings Department—Massachusetts

WHEN the bank commissioner took possession of the Cosmopolitan Trust Co., he found among the assets of the savings department a note of plaintiff for $9,000, dated Sept. 7, 1920, payable to the order of said trust company. When the note became due on Jan. 7, 1921, the plaintiff had on deposit in the commercial department the sum of $6,206.82. It then tendered to the agent of the bank commissioner a check on the trust company for that balance, and also the sum of $2,793.18, the difference between the amount of deposit and the face of the note. The commissioner credited the $2,793.18 on the note, but refused to credit the plaintiff's deposit in the commercial department, and he brought an action at law to recover the balance due. This bill in equity sought to enjoin the commissioner from prosecuting the action at law, and to compel him to credit the said deposit on the note.

Held, that the note was an asset of the savings department, and the plaintiff had no right to apply its deposit in the commercial department as a set-off, nor did its tender of a check on an insolvent bank constitute payment. Its contention that the note should be transferred to the commercial department was based on the fact that the original note of Feb. 5, 1920, for $9.500, was given as security for money borrowed from that department, and that it was turned over to the savings department without its knowledge or consent. But this note, with others, was so transferred in exchange for other notes of the savings department and cash on Feb. 28, 1920. When it fell due on May 5, the plaintiff paid $500, and a new note for $9,000 was issued and invested in the savings department, and this was renewed Sept. 7, 1920, in that same department. The fact that plaintiff did not have actual knowledge that the outstanding loan made to it was from funds of the savings department was immaterial and could not affect the rights of the savings depositors to the investments made with their deposits. Nor was this result affected by the fact that the note might have been an investment that was illegal for the savings department.

Bieringer-Hanauer Co. *v.* Cos. Trust Co. *et al*, Supreme Judicial Court of Mass.

Use of Corporate Checking Account to Pay Individual Debt. Payee Held Not Charged With Notice—Massachusetts

PLAINTIFF trustee in bankruptcy of the Great Western Hide Corporation, brought this action to recover from the payee of a check, drawn against the bankrupt corporation, the amount of the check. Defendant-payee had sold certain furniture to a woman, to be charged to her husband and delivered at a future date. Before the arrival of that date, she directed defendant to send to "B. Crohan, 71 South Street," to get payment so that the goods could be delivered. Defendant sent a note to B. Crohan along with the bill, and the messenger brought back a check for the exact sum, in the following form:

"Great Western Hide Co. No. 2872.
Boston, Mass., July 25, 1919.
Pay to the order of Paine Furniture Co., $1,149.75, eleven hundred forty-nine dollars seventy-five cents.
Great Western Hide Co.,
(Signed) Phil M. Paris, President,
Treasurer.
To the Metropolitan Trust Company 5-122
Boston, Mass."

The defendant at this time did not know anything about the Great Western Hide Corportation or the relation to it of Paris, the signer of the check, except so far as the check disclosed that Paris was the treasurer of the corporation.

Defendant deposited and realized on the check, and plaintiff now claims that the circumstances were such that defendant could not retain the money, for he had notice of the fact that the corporation's funds were being misappropriated. The court, however, held for defendant, stating "We find nothing in the evidence which required an investigation by the defendant to ascertain whether the issuance of the check was authorized."

McLaughlin v. Paine Furniture Co., 139 N. E. 542.

A Post Dated Check Is a Negotiable Instrument—Where Drawer Stops Payment Before Maturity, No Presentment Required—South Carolina

THE defendant, Eassy, delivered his check dated ten days ahead, to wit, Oct. 10, 1920. On Oct. 5 it was cashed by the plaintiff, Manos, for value. Prior to maturity, Oct. 10, payment was stopped by Eassy. In an action to recover the amount of the check, the defendant contended that Manos could not recover because he failed to present the check at or after maturity. The court held that no presentment was required to charge the drawer; that the check was a negotiable instrument and the plaintiff was a holder in due course entitled to recover the amount. Manos *v.* Eassy, 117 S. E. 222.

Saved Labor: An Investment in Civilization

By LINGARD LOUD

THE philosophy of labor saving is as valid as the facts. To the banking fraternity, directing the investment of capital, an understanding of both philosophy and facts is essential to an enlightened outlook.

A surplus saved from consumption is capital and the foundation of society. A surplus saved from labor erects the edifice of civilization on that foundation. Saved labor is Man's investment in civilization. The dividends are paid in slowly rising standards of living.

A kind of religion might be made of this matter of labor saving. Indeed Life *has* made a religion of it without consulting us. Engineers, scientists and inventors are its unwitting priests. They declare its commandments.

The gist of these commandments is: Find an easier way to do this thing, that there may be time and strength for all those other things.

In the past score of years four immense industries have grown from seed to full flowering in America. Automobiles, motion pictures, and the electrical and chemical industries. Julius Barnes of the United States Chamber of Commerce says several million people are supported by their payrolls. Those millions, where did they come from? What were they doing before 1900?

Many came from farms. They came because harvesters and the devices which followed in their wake saved labor. When threshers first appeared, they threw up the straw onto a pile where seven men were required to stand all day in the heat and blinding dust, spreading the straw. Inventive genius added a stacker to the thresher. The stacker shoved the straw aside by machinery through an arc of ninety degrees, and three men instead of seven could then spread the straw. But the day came when a blower was devised, and no longer was even one man necessary wielding his pitchfork in the choking cloud atop the pile.

Some farmers resisted the thresher, resented the stacker and openly rebelled against the blower, but in spite of everything, these inventions won their way, and slowly, imperceptibly, the labor they saved was drained from agriculture into other uses. Agriculture no longer needed these workers, and the nation did.

As Mr. Barnes pointed out in the May (1923) issue of the JOURNAL, "The census of 1920 showed, as compared with 1900, 1,700,000 fewer agricultural workers, but the aggregate crops had increased by 20, 30 and 40 per cent." Moreover, while before the harvester, 130 million labor days were required upon the wheat crop, afterward seven million sufficed.

Like all of Caesar's Gaul, Man's conquest of his environment may be divided into three parts: The tool-using period. The machine period. And the machine-tool period. They are not mutually exclusive. They overlap. We are today in all three periods, and constantly deeper in them, with ever more machinery and implements and ever more marvelous machine-tools.

As the geologists reckon time, all three are recent phenomena, though the first tools, clubs and stones, flint knives and spears, are of a respectable antiquity. When history dawned, seven or eight thousand years ago, Man had been using tools of a slowly improving sort for hundreds of thousands of years. The advent of the machine did not bless our race, however, until a century or two since. And machine-tools are creatures of today's creation.

Tools replaced bare hands and fingernails and teeth in the struggle for survival. They saved labor. The stone ax and the arrow lengthened and strengthened Man's arm, reducing the toil of the chase and freeing energy for other uses, the building of huts and the tilling of fields. Every new tool, every improvement in old tools, saved labor, diminished the part played by untrained muscle and gave scope to skill.

When machines came along they substituted mechanical power for trained muscles, multiplied production a thousand-fold, cut production costs to a fraction of the previous totals, and thereby distributed the good things of life among hitherto propertyless millions. Machines, also, saved labor.

Making the World Over

OF machine-tools the epoch-making significance is as yet impossible to estimate. They are making the world over right under our noses. They will revolutionize life upon earth. Into each one of these semi-human, power-driven devices is compressed a whole series of tool and machine operations. Their influence among us accounts for the diffusion of such pleasant things as plumbing, phonographs, telephones and automobiles.

Exclusive of food and clothing, it has been set down as a reasonable calculation that the average home in 1920 possessed three times the articles of common use and convenience that the home of 1900 did.

By a thousand and one direct and indirect enlargements of life, machine-tools have lifted human existence to a higher level of comfort, prosperity and health. They are pulling up our material civilization by its bootstraps to a loftier plane, and the force which enables them to thus sweeten and beautify this "vale of tears" is—saved labor!

The varieties of labor saving are infinite. They range from cinematographic study of workmen's "lost" motions, and stop-watch records of split seconds of delay, to standardization of output, simplification of styles and sizes, short-cuts in distribution from farm or factory to family, elimination of price fluctuations, and large scale production.

The last is America's great contribution to the history of industry. The first two have been written about *ad nauseam.* Standardization of output is become a commonplace, and marketing to eliminate price fluctuations has encountered much prohibition by laws which led to futile litigation and eventually to a kind of one-eyed tolerance of a practice obviously beneficial to consumer as well as producer in the long run.

These are all facts of labor saving, but they are familiar facts, worn thin by much passing from hand to hand. In two directions, however, there are new departures. In the direction of style and size simplification, and distribution short-cuts, important advances have recently been registered and certified by the United States Government—advances calling for analysis and commendatory comment.

A Congressional commission with Representative Sydney Anderson of Minnesota as chairman has just brought in a report upon distribution which the *Scientific American* describes as "the most remarkable document of the kind ever compiled. . . . The report assumes the dignity of Science; nothing less."

This Commission made at the outset the rather startling discovery that

> "there were practically no fundamental data of a government or public character with respect to marketing and distribution, and it was therefore necessary for the Commission to undertake a pioneering effort to secure from original sources the basic facts upon which a consideration of the problems of distribution might be predicated."

Not fewer than fifteen thousand questionnaires were sent out and returned. The tabulated results covered more than two hundred commodities and departments of commerce. An instance will serve to show the pains they took.

The committee on department stores installed a large staff of accountants in two floors of a New York skyscraper and worked for several months, just to get a table of figures, one page in a voluminous report.

Moderating Influence Needed

THEY found out that one of the things which is wrong with our system of distribution is the mad scramble for materials and markets. It is a case of every man for himself and charge it to the consumer.

(*Continued on page* 454)

The Condition of Business

December Trade Was Good in Typically Holiday Merchandise but Less Satisfactory in Some of the Regular Lines. Building Costs are Still High. Preparation for More Automobiles. Fundamental Banking Conditions Favorable to Business.

IN November and early December industry and trade were less active than in October. There were evidences of a resumption of that decline which had continued from May to September and had been temporarily interrupted in October.

The most important recessions were in the iron and steel industry. Pig iron production declined 8 per cent and steel ingot production 12 per cent, and the unfilled orders of the United States Steel Corporation were 300,000 tons smaller on Dec. 1 than on Nov. 1. Iron and steel are the basis of so many and so varied manufactured products that their movements have wide implications. Another indication of reduced manufacturing activity may be found in a reduction of between 1 and 2 per cent in the number of workers employed in factories.

Trade

IN the distribution of goods, the reports of representative wholesale dealers and of department stores showed some reduction in sales from the preceding month. December Christmas trade was reported as good in the typically holiday goods, but less satisfactory in apparel and other regular lines. Sales were larger than in December, 1922, but not as much larger as has usually been the case in previous months of 1923. It is entirely normal and usual for department store sales to increase rapidly from year to year. In fact, in many large cities the usual rate of increase in sales is not far from 8 or 9 per cent a year. This growth results from the rapid growth of population in and around large cities, and also perhaps from a tendency for department stores to absorb a larger proportion of purchases in any city and serve out of town buyers more largely as well. Department store trade in any month must, therefore, be judged in the light of this usual increase from year to year. A large increase is nothing unusual; a small increase is probably an indication of rather dull business. "Record breaking" sales are not particularly significant in a business where records are broken every few months. In the light of these facts November and December sales must be regarded as only fair.

Building Construction

WHILE in certain industries and in trade there are recently indications of reduced activity, there are two outstanding exceptions to this tendency. For the past two years the tide of prosperity has risen under the force of tremendous activity in building construction and the production and sale of automobiles, with all the varied types of business activity which movement in these directions implies. And here the activity is continuing at an amazing rate.

In New York State and northern New Jersey, where building has been particularly active this year, contracts for building construction let in November were more than 60 per cent larger than in November, 1922, and were larger than in any previous month. A large proportion of these contracts was for residential construction, indicating that there still exists a housing shortage. Further revelations of high and increasing rents for wage earners were evidence in the same directions.

Outside of New York and New Jersey contract awards for new building showed a decline about normal for the season of the year. Further increases in building wages were reported in a number of centers, and total building costs, although slightly lower than in the spring, are nearly twice as high as before the war. In fact, building costs are so high that houses now in course of construction cannot be rented at rates which will relieve in any marked degree the high rents of the present. The fact is that on the average rents are lower in relation to pre-war figures than are construction costs. New construction will relieve congestion, but so far there is no indication of its lowering rents, except in the case of very expensive apartments, the rents of which had gone beyond reason. The wage earner is paying higher rent than a year ago, and no reduction is in sight.

Automobiles

AUTOMOBILE production for the moment is less spectacular than building. There was a decline in output in November, but no larger than ought to be expected as winter comes on. It now seems certain that the year's output will be close to 4,000,000 cars. Preparations continue for still heavier output in 1924. In fact, the capacity of two producing organizations alone is estimated at 4,500,000 cars, and the total capacity of the industry well over 5,000,000. Many students of the industry, however, predict smaller production in 1924 than in 1923, on the ground that the country is rapidly reaching a saturation point, where everybody who can possibly afford an automobile will own one.

One element of uncertainty is found in the introduction of two new devices, the balloon tire and the four-wheel brake. The balloon tire is perhaps twice the size of the ordinary tire and inflated to half the pressure. The result is ease in riding which the proponents of the tire maintain will double the life of automobiles. Here are the seeds for revolutionizing the tire industry and reducing the number of automobiles required each year to replace worn out machines. The degree to which four-wheel brakes find favor will have an important influence on production processes and on used car values.

The Year's Production

FROM the figures now available, it is clear that 1923 will stand out as a year of exceptional industrial activity. Production has exceeded that of any year in the past, including the war output of 1918 or the post-war boom of 1920. The year has had two distinct phases: The boom of the first four or five months, and the gradual decline in many industries during the second half of the year. At the end of the year, however, practically every phase of business was being maintained at a level which might be designated as about normal, and the automobile and building industries were working at a pace not far below that of the early spring.

The movement of prices followed the same course as industry. From a high point in March, they declined to a low point at the end of July, and from that time forward moved irregularly under the conflicting influences of a gradual downward trend in the prices of materials resulting from industrial processes, and upward movements in the price of cotton and certain other farm products. Cotton alone, under the influence of a short crop and improved foreign demand, was the primary factor in those price increases which occurred.

The Year's Crops

THE Dec. 1 and final estimate for the year, by the Department of Agriculture, placed the total farm value of the year's crops at Dec. 1 prices at $8,323,000,000, or about $880,000,000 larger than 1922 crops and $2,700,000,000 larger than 1921 crops. The cotton crop was worth $400,000,000 more than last year, due both to larger yield and higher prices. The corn crop was valued at $300,000,000 more. Increases were also shown by oats, barley, flaxseed, potatoes and hay. The wheat crop was worth $50,000,000 less than last year, due wholly to a smaller yield as prices were higher.

The values of principal crops in the past three years are reported as follows in millions of dollars:

	1921	1922	1923
Corn	1,297	1,910	2,222
Cotton	644	1,162	1,563
Hay	1,100	1,319	1,391
Wheat	755	873	726
Oats	326	479	539
Potatoes	485	347	434
Cottonseed	103	174	206
All other	920	1,186	1,240
Total	5,630	7,450	8,323

(*Continued on page* 456)

Eighteen Billions of Savings Deposits in 1923

THE savings deposits in the banks and trust companies of continental United States on June 30, 1923, are given below, so far as the necessary data are available in October, 1923. These tables are complete as to the amount and kind of savings and time deposits, and we were able to advance the publication date for our statistics on 1922 by nine months as to these figures, although the number of banks reporting savings deposits and the number of savings accounts cannot be tabulated until additional data become available.

All data are based upon official reports from national and state banking departments, although only in exceptional cases have the figures had as yet the finality of a printed report.

As to the propriety of including certificates of deposit, certain Eastern state commissioners and bankers have mildly criticized our practice. The writer is inclined to agree with these critics, but has not altered the rules of tabulation for the two reasons that the certificates under discussion in New England banking practice are more like time than demand deposits and especially that they constitute a negligible amount in state and national totals. The treasurer of a mutual savings bank in Rhode Island, where demand and time certificates are not separately reported, says of the certificates of deposit issued in that state:

Rhode Island Time Certificates

"IN most instances the certificates issued here are time certificates, issued on a graduated rate on a basis of payment at the end of sixty days, four months or six months. After said period said certificates are payable on demand.

"These certificates are in a way savings deposits, being surplus funds of corporations or partnerships, which are not liable to be needed in business for a period of time. That form of deposit is used in lieu of depositing said money in a savings account for the reason that after a period of sixty days there is no loss of interest to the depositor."

As to postal savings deposits, we will note again that there is ground for agreement with the contention that bank deposits of postal savings funds are not available for bank use as time deposits and, therefore, the public should not be led to regard them as otherwise than demand deposits. The situation is not altered by the fact that the banks must invest more than the amount of their postal savings deposits in low-yield securities to be deposited with the Government so that as a general rule there is no profit to the bank or to borrowers from such deposits.

As to so-called "stock savings banks," we have continued to construe "mutual savings banks" as those having the trustee form of control and have combined with "state banks" all of those various state chartered banking corporations which pay profits to stockholders, although their investments and management may be under laws which are identically or substantially the same as those for the mutual savings banks. A rigid application of this rule is necessary for statistical accuracy, although there may be cases in which the institutions are much more similar to mutual savings banks than to the commercial banks which compose the vast majority of institutions here classed as "state banks." The states of New Hampshire, New Jersey, Minnesota and California are the principal ones in which we are confronted with this difficulty of classification, and different conclusions are reached by different compilers.

Totals of Savings Deposits

THE total amount of savings deposits in the banks and trust companies of continental United States so far as such deposits are segregated and separately reported was $18,373,062,000 on June 30, 1923.

This shows an increase of $1,041,583,000 or 6 per cent over the total on June 30, 1922.

The totals for the three distinctive types of banking institutions as summarized for geographical groups of states are given in tabular form below.

Per Capita Deposit, $166

THE per capita savings deposit increased $8 during the past year. An analysis of the deposits shows that there was $166 in American banks for each person on the basis of the Bureau of Census population figures. Thrift in New England is abundantly in evidence. New England led all other sections with $405 per capita deposits. The averages for other sections, as of last June 30, were: Middle Atlantic, $270; Southern, $45; East Central, $147; West Central, $97, and Pacific $199. All sections of the United States, except the Pacific Coast, show progressive gains.

The growth in savings is indicated by the figures, which show the per capita average for June 12, 1912, was only $89. This had increased to $154 for 1921 and to $158 by the following year.

The respective proportions of savings deposits, time certificates of deposits and postal savings emphasize the fact that there is no important amount of time certificates in the national total of savings deposits except in those districts where it is customary to handle savings deposits on the certificate plan. Striking a national average, savings deposits constituted 85.3 per cent of the total, certificates of deposits 14.3 and postal savings 0.4 per cent.

In analyzing the relation of this class of deposits to the total deposits, it is found that they constituted more than half—or 52 per cent to be exact. This compares with 50 per cent in 1912, 48 per cent in 1921 and 47 per cent in 1922.

In New England savings deposits constituted 74 per cent of total bank deposits on last June. The percentage was lowest in the southern states, where savings were only 37 per cent of the whole.

FORM OF SAVINGS DEPOSITS, ALL BANKS
June 30, 1923
(000 omitted)

States	Savings Deposits	Certificates of Deposits 30 Days and Over	Postal Savings	Totals
New England	$3,086,676	$31,899	$3,079	$3,121,654
Middle Atlantic	6,588,692	287,314	28,262	6,904,268
Southern	903,724	451,513	2,847	1,358,084
East Central	3,366,775	1,276,597	8,320	4,651,692
West Central	322,745	520,981	2,463	846,189
Pacific	1,411,675	75,333	4,167	1,491,175
UNITED STATES	$15,680,287	$2,643,637	$49,138	$18,373,062

SAVINGS DEPOSITS, BY TYPES OF BANKS
June 30, 1923
(000 omitted)

States	Mutual Savings Banks	State Banks* and Trust Cos.	National Banks	Totals
New England	$2,310,466	$493,858	$317,330	$3,121,654
Middle Atlantic	3,720,014	1,837,537	1,346,717	6,904,268
Southern	0	859,798	498,286	1,358,084
East Central	143,559	3,611,845	896,288	4,651,692
West Central	0	577,516	268,673	846,189
Pacific	99,112	1,227,911	164,152	1,491,175
UNITED STATES	$6,273,151	$8,608,465	$3,491,446	$18,373,062

*Includes the relatively unimportant amount reported by "private" bankers.

Escheat of Unclaimed Deposits

By THOMAS B. PATON, GENERAL COUNSEL

THE Supreme Court of the United States has handed down a decision (Security Savings Bank v. State of California, decided Nov. 19) upholding the constitutionality of the California statute which provides for escheat to the State of deposits to the credit of depositors whose whereabouts are unknown, unclaimed for a specified period of years, so far as the statute applies to state banking institutions.

It will be recalled that the Supreme Court last June in a decision involving this same statute held that it was in conflict with the laws of the United States relative to national banks and therefore invalid. In an article published in the JOURNAL for July, 1923, under the title "Freedom of National Banks from State Escheat Laws" we gave the details of that decision and in addition made a brief résumé of some of the principal decided cases involving the constitutionality both of escheat laws, properly so-called, where the state takes as ultimate heir with right of reclamation barred and of state statutes which provide for the turning over of unclaimed deposits to the state with provision for ultimate payment to the owner should he afterward appear. It was therein pointed out that while both the United States and State Supreme Courts had upheld the constitutionality of the latter class of acts and while the Supreme Courts of Pennsylvania, California and Oregon had also upheld the constitutionality of acts which provide for the escheat of unclaimed deposits to the state with no right of reclamation, the Supreme Court of the United States had never directly passed upon the constitutionality of this latter class of acts.

A Direct Ruling

THE decision now rendered is a direct ruling that insofar as state institutions holding such deposits are concerned, the California escheat law is constitutional. That law applies to deposits not drawn against and unclaimed for a period of twenty years, where the whereabouts of the depositor and whether or not he is alive are unknown to the officers of the bank. It makes it the duty of the Attorney-General of the State, at the expiration of the twenty-year period, to sue both the bank and the depositor, the latter by publication, and upon entry of judgment establishing the essential facts the bank is required to deposit with the State Treasurer the amount of deposits and accumulations. Any person interested may become a party to the suit. The statute does not effect an immediate escheat after the lapse of twenty years, but for a period of five years after entry of judgment any person not a "party or privy" to it may sue the state to recover the money and in case of infants or persons of unsound mind, the period is extended for one year after removal of disability. The bank's main contention was that it was denied due process of law because, owing to defects in the prescribed procedure, depositors would not be bound by the judgment and hence payment to the state would not discharge the bank's liability to them. But notwithstanding the service upon the depositor by publication, the court holds there is no denial of due process. The court further holds that the clause of the Federal Constitution prohibiting a state from impairing the obligation of a contract is not violated. Upon this point it says:

"The contract of deposit does not give the banks a tontine right to retain the money in the event that it is not called for by the depositor. It gives the bank merely the right to use the depositor's money until called for by him or some other person duly authorized. If the deposit is turned over to the State in obedience to a valid law, the obligation of the bank to the depositor is discharged. Louisville & Nashville R. R. Co. v. Deer, 200 U. S. 176. It is no concern of the bank's whether the State receives the money merely as depositary or takes it as an escheat."

The court further says:

"In the opinion below it was suggested that the statute may be construed as permitting a depositor, although named as defendant in the attorney general's suit, to make claim as against the State, under section 1272, at any time within the five years (or the extended period) after final judgment, if he did not appear in the suit. As no depositor had appeared, the point was not passed upon; and the state court expressly left open the rights of depositors and their privies in respect to escheat. State v. Security Savings Bank, 186 Cal. 419,431. We have no occasion to consider them."

The decision, then, does not go to the extent of holding, so far as the depositor is concerned, that a man 21 years of age who makes a deposit in a California bank and, after absenting himself for twenty-six years, returns and demands his deposit, is lawfully and constitutionally deprived of his right to the property which has, in the interim, escheated to the state. Such a case would be very rare but not impossible. From expressions in some of the cases, the refusal of his claim for the deposit would be no denial of due process of law—no impairment of the constitutional guaranty against confiscation of his property—in view of the judgment in favor of the state obtained through service by publication. But until the point is expressly decided, the question will remain uncertain. The extent to which the Supreme Court of the United States has gone in passing upon the validity and constitutionality of laws providing escheat to the state of unclaimed deposits under proper procedure, is as follows:

1. Such laws are not applicable to unclaimed deposits in national banks.
2. Such laws are constitutional in their application to state banks.
3. The rights of absentee depositors returning after escheat are not clearly defined.

Congressional Regulation of National Banks

IN this connection, it is of interest to note that two bills have been introduced in the 68th Congress relative to the subject of unclaimed deposits in national banks; one by Senator Pepper, of Pennsylvania, designed to validate state escheat laws or laws providing for the payment of deposits to the the state without escheat, in their application to national banks; the other by Congressman Roach, of Missouri, requiring national banks to advertise all unclaimed deposits, dividends declared and accumulated interest.

The bill introduced by Senator Pepper (S. 111, introduced Dec. 6 and referred to the Committee on Judiciary) is as follows:

A bill to amend section 5219 of the Revised Statutes of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5219 of the Revised Statutes of the United States be, and the same is hereby, amended by the insertion at the end thereof of the following:

"No legislation adopted by any State, which legislation provides for the escheat to said State of unclaimed moneys in the possession of national banks within said State, whether such moneys be held on deposit or under a trust or trusts the active duties of which have all been performed, or which legislation provides for the payment of such unclaimed moneys in the possession of national banks in said State into the treasury of the State enacting such legislation, without escheat, to be held indefinitely by said State, subject to being refunded at any time to the depositors of such moneys, respectively, when claimed by them or their legal representatives in the manner prescribed by such legislation, or refunded to the beneficiaries of such trusts, respectively, when claimed by them or their legal representatives, in like manner, shall be deemed or held void or invalid as an attempt by a State to define the duties or control the conduct of the affairs of national banks, or to frustrate the purposes of congressional legislation relating to national banks or to impair the efficiency of national banks to discharge the duties for which they were created: *Provided, however,* That such legislation shall apply as well to unclaimed funds in the possession of State banks and banking institutions as to unclaimed funds in the possession of national banks of the State enacting such legislation: *And provided also,* That such legislation shall not provide for the escheat or the taking without escheat of such unclaimed moneys after the expiration of a shorter period than fourteen years from the date when the respective depositors or trustees shall have last exercised, in such manner as the aforesaid legislation of such State shall prescribe, any right of ownership or of possession of such unclaimed moneys, whether such moneys were held by said banks on deposit or under a trust or trusts the active duties of which have all been performed."

The bill introduced by Congressman Roach (H. R. 2859, introduced Dec. 10 and referred to the Committee on Banking and Currency) is as follows:

A bill requiring national banks to advertise all unclaimed deposits, dividends declared, and accumulated interest.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the month of July in every fifth year, and beginning in July, 1924, and on or before the 10th day thereof, every national bank, incorporated under the laws of the United States, shall make a written report to the Comptroller of Currency, verified by the oath of the president or vice-president and cashier or assistant cashier, which report shall contain a true and accurate statement of all deposits made with the bank and all dividends declared and interest accrued upon any of its stock or other evidences of indebtedness which on the 1st day of June preceding such report amounted to $50 or over and had remained unclaimed by any person or persons authorized to receive the same for five years then next preceding. Such statement shall set forth the date of each such deposit, its amount and the name and last known place of residence or post-office address of the person making it, the name of each person in whose favor and the time when any such dividend may have been declared or any

such interest may have accrued, its amount and upon what number of shares or upon what amount of stock or other evidences of indebtedness of such bank it was declared or accrued. In case any such bank shall at said date have held no such unclaimed deposits, dividends or interest, it shall at the time above specified make a written report to the Comptroller of Currency so stating, which report shall be verified as herein above provided. No deposits, dividends or interest shall be deemed unclaimed within the meaning of this Act if it appears from the books of the bank or from other written evidence on file with the bank that the person or persons authorized to receive them have knowledge thereof.

Every such bank which reports any unclaimed deposits, dividends, or interest under the provisions of this Act shall cause to be published once in each week for two successive weeks in a newspaper designated by the Comptroller of Currency published in the county and in the village or city in which such bank is located, if there be a newspaper published therein, a true copy of such report, and shall file with the Comptroller on or before the 1st day of August thereafter proof by affidavit of such publication. The expense of such publication shall be paid by the bank, but if. on or before the 1st day of June in that year, the bank shall have mailed, postage prepaid, to each person authorized to receive any such unclaimed deposit, dividend, or interest at his last known place of residence or post-office address a statement showing the amount to which such person is entitled and requesting written acknowledgment thereof, the bank may reimburse itself for such expense by deducting the amount thereof from the sums due any such person or persons who shall not have made written acknowledgment before the filing of such report with the Comptroller of Currency in the proportion that each such sum bears to the aggregate thereof. Any such bank failing to make any report or to file any affidavit of publication required by this act shall forfeit to and pay into the Treasury of the United States the sum of $100 for each week such report or the filing of such affidavit of publication shall be so delayed or withheld, unless the name therefor shall have been extended by the Comptroller of Currency.

Money in Circulation

Money in circulation reached the highest point in over two years on Dec. 1 when the per capita figure was $44.01, an increase of $2.21 within twelve months. The gold reserves of the Federal Reserve System on Dec. 12 were $3,115,639,000—only $66,188,000 in excess of the year's low point, recorded on Jan. 3, 1923. During the intervening period, the net gain of gold through imports of the precious metal was $262,296,000, while the output of domestic mines added probably at least $50,000,000 in gold. The Federal Reserve Board adopted the policy of injecting gold or gold certificates into the American currency circulation as a means of preventing the gold reserves from rising, and to this action is attributed holding the ratio down to 75.3 per cent.

Grow Less Of It

THE Bank of Valley City, in North Dakota, gives this advice to its customers under the caption, "EAT MORE WHEAT" —BUT GROW LESS OF IT:

"Farmers should copy the methods of the manufacturers, the wholesalers and the retail merchants; they should produce and offer for sale what the consumers demand. What are the people of this country eating at the present time?

"They are eating fifty pounds less of wheat per capita per annum than formerly —a loss of one hundred million bushels (100,000,000) to the market for this staple —and our foreign customers, on whom we formerly depended so much, are also eating less wheat, partly because they cannot afford to buy it owing to their poverty and their depreciated money, and partly because they can get cheaper wheat elsewhere and cheaper substitutes.

"But our own people in this country are eating nine pounds per capita per annum more of meat, and the present consumption of poultry and dairy products shows an even greater increase than of meat. They are buying their meat, poultry and dairy products in constantly increasing quantities and at steady or rising prices—at prices that afford a profit to producers. There seems to be no danger of overproduction in these food products; the market seems able to absorb all offerings.

"Based on present market prices, the Government statistics estimate the total value of all agricultural products grown in this country in 1923 at approximately $8,000,000,000, which is about $1,000,000,000 greater than the total value produced in 1922. The principal items produced this year according to these estimates are as follows: Corn, $2,664,000,000; dairy products, $2,410,000,000; poultry products, $1,020,000,000; hay, $1,000,000,000; wheat, $699,000,000; cotton, $625,000,000; potatoes, $400,000,000; oats, $275,000,000.

"'Eat more wheat' is all right as a national slogan, but our people are not acting on the advice; they are eating LESS wheat and more of other things which we can produce and WHICH WE SHOULD PRODUCE. Therein lie both national and individual prosperity."

The Community Trust Idea

By NEWTON D. BAKER
Former Secretary of War

Substitutes Contemporary Wisdom for Foresight. The Community Trust Has Come Because People Cannot Project Themselves Beyond a very few Years, and Means are Necessary to Enable the Spirit of Philanthropic Donors to Carry On.

THE Community Trust idea is an attempt to substitute contemporary wisdom for foresight; and it is particularly important that this be done when we remember that we are living in a changing world, a world which has changed more rapidly and in more of its fundamental conceptions within the past dozen years than it has changed before in as many centuries. If there be one characteristic of the present civilization which it is most important to grip and hold fast to, it can be found in the sentence of Graham Wallas—that the measure of any civilization's progress or status is to be found in its capacity to cooperate.

We have passed, whether we like it or not, in a very large sense, out of the age of individualism, into the age when practically every institution we have is being re-examined to find out how far it invites and how far it facilitates cooperation. That is obviously true of our political institutions and equally true of our philanthropic and financial institutions.

Another aspect of the change which society is undergoing is to be found in the fundamental and radical modifications which are due to the advances of science. I have in my memory at the moment a very philanthropically disposed man in Cleveland who twenty-two or twenty-three years ago looked about him and decided that the thing most needed in that city was industrial education for boys. He, therefore, left a large fortune for the establishment of a polytechnic institute, in which likely boys could be taught trades. He provided for some annuities to relatives and some other objects of a temporary character, and his trustees conserved the fund until it was adequate to accomplish the primary purpose he had in mind. In due time the annuities fell off. Then when the trustees looked about them, they found that in the interim between the making of his will and the maturing of his fortune into availability for the purpose he had in mind, the public school system had established two or three industrial high schools, the old academic high school having entirely passed away, and all the things he had in his mind were then being done on a far larger scale than would have been possible even with his large fortune. The trustees, therefore, have had to take advantage of a secondary purpose in his will and have built, with his fortune, an art gallery.

In a changing world men find themselves unable, by any degree of foresight they can command, to project themselves beyond a very few years. Persons of means can go to an agency like the Community Trust, backed by great and powerful financial interests, having at its command, first, the integrity which those interests assure; and, second, the sense of public service which a trust of this sort imposes. They come with the confident feeling that whatever they have, be it large or small, will find itself, distributed not in an archaic and inept way but with contemporary wisdom applied to the situation as it then is.

No Original Inspiration

EVERY lawyer has found himself embarrassed when trying to select trustees who can carry forward the intentions of a testator. Those who have known a testator personally and who have had the opportunity of discussing with him his intentions and his feelings treasure that spark so long as they live and, in a diminished form, hand it along to their successors. But in every board of trustees there arises, after a while, a generation which "knew not Joseph," men who were not innoculated with the spirit that caused the foundation, who take an inelastic view of it, who want to fulfil in a proper way that which they accept as a trust but which has none of the original inspiration and enthusiasm of the donor.

The Community Trust, where that which a man has will be coupled with that which others have, where there will be a group of people constantly studying the then need of the commuity, is a port into which distressed ships may properly sail.

Nor, is a single trust company as sole sponsor of a trustee the ideal for a community foundation. A plan such as has been devised in the New York Community Trust, which joins seven or eight or a dozen of the great financial institutions of New York in a common public service community will give a better reliance to those who would use that facility, and, in my judgment, will create a very much more wholesome attitude on the part of the people at large toward banks and trust companies than any other single thing which it has been suggested that those banks can do.

Imagine the New York Community Trust with $200,000,000 or $300,000,000 available for expenditure; imagine its deliberations and its proceedings and its awards being made public in this city, and the people of New York coming to realize that these trust companies, these money banks, actually have committees studying community needs and seeking to ally themselves to the most necessary things for the preservation of the vitality and the increase of the welfare and happiness of the people of New York! Does it not, in the first place, give the banks a sense of public responsibility, and, in the second place, create, on the part of the clients of the bank, a sense of community cooperation, of sympathy with the common needs, which will be most wholesome for the relations of those institutions to the public?

Cleveland is learning how to cooperate in a larger and more effective way than any other city I know of anywhere in the world. It began a long time ago—before Mr. Goff began to make his great intellectual and spiritual gifts to that community. It began in the days of Tom Johnson, a mayor who is known to many merely as a tradition, but who I believe to have been the greatest municipal executive America ever had. Beginning in those days and coming forward to the present time, Cleveland has been a city in which the people themselves, not vicariously and by representatives, but directly and by themselves have sought to study their local municipal problems and find the remedy.

Four Surveys in Cleveland

THE consequences of four surveys that were made in Cleveland are startling when they are narrowly examined. The Association for Criminal Justice which grew out of the Crime Survey in Cleveland has statistically and demonstrably reduced the prevalence of crime in that locality. That Association for Criminal Justice is supported not by a few manufacturers or banks or rich men who are moved to support it either by anxiety as to the integrity of their own goods and chattels, or philanthropy toward the common interest, but it is supported by an even more significant institution, the Cleveland Community Chest.

Annually in Cleveland the citizens of that city — bankers, lawyers, doctors, insurance men, ministers, laborers, wash women — draw themselves together into a community aggregate and devote one week to examining themselves and one another to find out what their share of that city's annual community burden is. For two or three years in succession, we have raised, with comparatively little effort, a sum in excess of $4,000,000 and sometimes in excess of $4,500,000, placed it in the hands of a group of trustees; every hospital, every agency for the cure of children, every

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Armstrong's Cork Tile in 9-inch squares of light and dark brown in the board room of the Equitable Trust Company, Atlantic City, N. J.

The corridor leading to the board room is also floored with Armstrong's Cork Tile

orphan asylum, all of the playgrounds and activities of that sort which are not parochial in their support or supported by the school system, are sustained out of that fund. In the first place, we are not visited from one year's end to the other by an army of solicitors gathering money to maintain charitable institutions; and, in the second place, there is no philanthropic institution in Cleveland which does not know that its workers may devote their time to their jobs, without the distressing and disabling burden of raising their maintenance fund by solicitation as a part of their task.

When the Japanese earthquake came, the first money that reached Tokyo from the United States was $125,000, which went by cable from Cleveland out of the Community Chest, where it was lying as an emergency fund to be devoted as the instantaneous response by the whole people of the city of Cleveland to that call for help. While other cities organized campaigns and solicited funds, requiring weeks in the doing so, the earth had not yet stopped trembling, the houses had not yet stopped falling in Tokyo when Cleveland's quota, already raised, was on its way there.

In my law office and in the offices of other lawyers, people who are moved by that great sense of community responsibility and who have, when it comes to founding anything big or significant or continuous, only the widow's mite to contribute, come in day by day and ask counsel. They say, "How can I give this mite so that it will not be lost? I am not asking for the glory of my name on the institution; I am not asking that I may be permitted to build a memorial, but I am asking how I can, when I have finished with these talents, leave them so that they will go on and work for good with the talents of others." And we are able to point to the Community Trust and tell the widow with her mite that she can leave that where it will be joined up to the strength of thousands of others, some in larger measure and some in smaller, until there is a great aggregate fund, presided over by the most intelligent, highly trained, and conscientious people the community can afford, assured and guaranteed by the stability of great financial institutions as to the fidelity of its administration—and there comes to her the realization that, although her voice is too weak to be heard, her individual touch too feeble to be felt, when it is joined to the common voice and made an integer in the common strength, she, too, can become one of the builders of a future which will magnify the opportunities of the generations yet to be born.

In New York City there is a most spectacular and limitless opportunity; and if this idea of the Community Trust can be made to prevail, I have no difficulty in foreseeing for it a position of usefulness and blessing to the metropolis, and therefore to the country, which has no bounds to its possibilities.

Advertising Returns

"WE are getting a lot of bank inquiries," said a clerk to the executive of a company, "and I do not know where they are coming from. I cannot find any reason for crediting them to any of the publications on my list!"

But a little investigation revealed the source of the inquiries from banks. The company had started advertising in the JOURNAL of the AMERICAN BANKERS ASSOCIATION, and the name of the publication had not been included in the list of publications.

"And," added this advertiser, "I know that the returns we are getting do not include all the inquiries we get from advertising in the JOURNAL of the AMERICAN BANKERS ASSOCIATION, for I know that the banker very frequently makes his inquiry indirectly.

"The JOURNAL of the AMERICAN BANKERS ASSOCIATION will be on our 1924 list of publications."

The foregoing illustrates a condition attending advertising to banks and bankers. There are direct returns, of course, but it may easily happen—and it does happen—that the best benefits of advertising to the bankers are not to be measured by figures on a checking list.

The actual benefit that accrues from selling the banker on a proposition in which his customers or his community is concerned is likely to rise above and beyond the limitations of such deductions as ordinarily are made from the number of direct inquiries received from an advertisement.

Melting Pot

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engaged in gainful occupations. If this same proportion prevailed for the 1,120,600 excess of births over deaths in 1920, it would mean that less than 448,000 persons would be available for gainful employment sixteen years later; and similarly, at most, 473,000 of those born in 1923 could be added to the labor supply in about 1939. Such a number, even if it constituted those available for immediate needs, would seem entirely inadequate, since all working activities assimilated readily an average of 627,000 persons each year since 1900, and manufacturing alone an average of 315,000 persons each year since 1900.

Sixteen years hence, with a normal increase in population and a steady growth in domestic and foreign demands on our farms, factories and other productive agencies, these 473,000 new workers from our native population increase alone will be inadequate.

Suggests Advisory Commission

THE best informed speakers at the National Immigration Conference united in the belief that industry's requirements for labor forces, the crux of the economic aspect of immigration, should be determined by an adequate investigation and should be checked by periodic subsequent studies.

As deduced from all the addresses at the Conference, a future immigration policy might be somewhat along these lines:

First: Extension of the present Per Centum Limit act for a few years, with certain administrative changes to remove injustice and facilitate the operation of the act.

Second: Appointment of an Advisory Commission by the President of the United States, under a resolution of Congress, to report through him to Congress within a limited time in respect to

(a) Immigration and emigration in the light of present domestic and world conditions.

(b) Requirements of industry, commerce and transportation for labor forces and, insofar as the native supply is inadequate, for immigrants generally, and for special groups of immigrants in particular.

(c) Economic and social assimilability of foreign racial groups.

(d) Effect of mixtures of races upon the virility and social progress of our nation.

(e) Practical methods of selecting, distributing and assimilating immigrants.

(f) Suggestions for an adequate, scientific and practical program of immigration based on an analysis of the aims and ideals of our national life.

Whatever may be the conclusions of Congress on immigration, its findings will mark a new epoch in American history as a whole, and according to the foregoing perhaps a speeding up of development in labor-saving machinery.

Convention Calendar

DATE	ASSOCIATION	PLACE
April 14-16	Association of Reserve City Bankers	Dallas
April 24-26	Georgia	Augusta
April 25-26	Florida	Orlando
April 28-May 1	Spring Meeting, Executive Council, A.B.A.	Augusta
May 6-7	Mississippi	Columbus
May 6-8	Texas	Austin
May 20-21	Missouri	Kansas City
May 22-24	Virginia	———
May 27-28	Oklahoma	Sulphur
June 4-6	North Carolina	Asheville
June 4-7	California	Yosemite Valley
June 10-13	National Association of Credit Men	Buffalo
June 13-14	Utah	Ogden
June 15-18	American Institute of Banking	Baltimore
June 16-18	Iowa	Mason City
June 17-18	South Dakota	Huron
June 18-20	Ohio	Cedar Point
June 23-25	New York	Montreal
June 26-27	North Dakota	Fargo
Sept. 29-Oct. 2	American Bankers Association	Chicago

New enterprises with authorized capitalization of $7,415,000,000 were formed in the United States during the first eleven months of 1923. The total, $7,586,000,000, is slightly less than for the corresponding period for 1922.

Arkansas Has Farm Program

A FARM program, designed to make credit safer by the stimulation of profitable farming methods, has been framed in Arkansas as the outgrowth of a meeting of bankers, business men and farmers called during December in Little Rock by the Agricultural Committee of the Arkansas Bankers Association. Fearful lest the rising price of cotton might influence the planters to expand greatly the acreages planted in the white staple, the conferees struck the keynote of intensified production—"More Cotton, Less Acres." As a formula for assuring a reasonable measure of prosperity next year, the meeting advocated a greater production of cotton through means of better seed of strong vitality, the proper use of fertilizers and more intelligent application of poisons to check the ravages of the boll weevil.

While there developed a general agreement that cotton and livestock raising should continue as the two major farm activities, the conferees stressed the importance of making every farm and plantation self-supporting. The warning that no program might be adopted with safety other than one providing for the raising of all food products needed for home use, and a substantial part of the feed for the livestock, was sounded. It was pointed out that the total proceeds of the 1923 cotton crop in Arkansas would not be sufficient to pay for feed and food needed to raise the 1924 crop.

The support of the bankers and business men was urged by E. J. Bodman, as chairman of the Agricultural Committee, for plans recommended by agricultural authorities calling for:

Diversification of crops on every farm and plantation to enable them to be self supporting.

More whole hearted support from the bankers and business men for the approved program.

Avoidance, commercially, of perishable and untried crops in which the grower is not experienced.

Curtailment of cotton acreage to a ratio of 10-12 acres per mule in weevil-infested areas.

Cutting out unprofitable acres by planting only such land as, with well bred seed and proper handling, will yield per acre a minimum of one-half bale of cotton or 20 bushels of corn.

Planting of poorer land to cow peas, soy beans or some legume that, while producing the feed crop, adds to the fertility of the land.

Use of home grown seed, if possible, but planting of seed adapted to land, which grows rapidly, fruits and matures early and yields well.

Furrowing early in the winter for drainage and early warming of the soil. Wide dissemination of reliable information on fertilization and use of calcium arsenate poisons.

Use of modern implements to permit planters to go over land frequently to offset labor shortage.

Providing small flock of hens and four or five good grade cows on small farms to create weekly cash income to finance cotton growing.

George H. Bell, president of the Planters' Bank and Trust Company, of Nashville, Howard County, endorsed the wider use of extending credit on crop contracts. He explained that this required the farmers, in addition to rendering a statement of production and future plans, to plant certain crops on specified acreages. In this way the bankers are able to enforce a natural diversification of crops.

Dean Dan Gray of the College of Agriculture of the University of Arkansas, advocated a crop diversification by which 60 per cent of the farmer's income should be derived from crops and 40 per cent from live stock.

Arkansas bankers were urged to use appropriate posters, induce local papers to publish reliable, needed information on home farm propositions and use their advertising space to stimulate profitable methods that will make credit safer.

There are now about 11,750,000 workers covered by the unemployment insurance system in Great Britain. The Ministry of Labor reports that 179,000,000 separate payments of benefits to unemployed have been made during the past two years and a half, amounting to £128,000,000. Inasmuch as the insurance system is contributory, the Ministry asserts only one-fourth of the sums paid in benefits and for administration has fallen directly upon the British taxpayer. It estimates that employers have contributed 38.7 per cent to the fund, employees 35.9 per cent and the national treasury only 25.4 per cent. The Ministry states that experience has shown compulsory insurance against unemployment "entirely practicable" and has passed through the "crucial test imposed by an immense amount of unemployment, unprecedented both in intensity and duration."

High Hurdles

(Continued from page 406)

to an innocent purchaser to invite him to participate in a law-suit not of his making. In some instances where the life of the company is at stake, it is required that the law-suits be settled before the company is allowed to proceed with the sale of stock.

Financial Statements From Going Concerns

FINANCIAL and operating statements are requested of all going concerns in order to determine the status of business enterprises. In some instances companies are required to file a monthly and quarterly statement with the Secretary of State in order that the latter may determine whether the full terms of the permit are being complied with. Incidentally this plan serves as a warning to the examiners whether the issuing company is thriving or becoming insolvent. Applicants are requested also to furnish documentary evidence of title to property and rights claimed to be owned by it. Excessive salaries usually are checked in cases where the venture is in the promotion stage and has not fully reached the point of full development. Matters involving a high degree of skill must be submitted through geological, chemical, mechanical engineering, mining and other reports prepared by credited specialists, which, it is assumed, all successful concerns have in their possession as a pre-condition of organization.

The Securities Act of Washington is intended to establish fairness between the seller and the purchaser of certain classes of securities, yet the law contains nothing that has not been accepted in the code of ethics of modern business men, hence the requirements of the law do not impose onerous burdens upon honest and efficient business. But the law cannot guarantee the success of any venture. The state cannot assume the risk inherent in business undertakings, nor can it underwrite the ordinary hazards involved in profit making. Neither can it legislate prudence into investors.

A. B. A. *Scholarship*

ANNOUNCEMENT has been made of the establishment of the American Bankers Association Scholarship in the Lowry School of Banking and Commerce in Oglethorpe University of Atlanta, Ga. In communicating the conditions of the scholarship to Edgar Watkins, chairman of the Board of Trustees of the University, F. N. Shepherd, Executive Manager of the Association, stated that it had been established in memory of the late Robert J. Lowry, president of the association in 1896, and in recognition of the $200,000 fund given by his widow creating the Robert J. and Emma Markham Lowry School of Banking and Commerce. Mr. Lowry was president of the Lowry Banking Company of Atlanta.

Under the terms of the scholarship, it is to be awarded by the faculty of the school of banking and commerce to a meritorious student, who is planning to specialize in courses relating to banking and finance. Preference is to be given to a student who has had some practical experience in banking and who has taken courses given by the American Institute of Banking. Consideration is to be given to the previous scholastic record of the student and to his financial needs. The scholarship is for the academic year 1924-25 with a stipend of $300.00.

Oglethorpe University is to call attention of every chapter of the American Institute of Banking to the scholarship and also of colleges and universities and such other bodies as may seem proper and suitable.

The Bureau of Census is completing its survey of national wealth. Unofficial estimates have placed the United States total at approximately $300,000,000,000, but the Government's figures have not been disclosed. At this rate the total national wealth is just about five times the annual income.

The value of Governmental securities as the basis for credit has been greatly increased by amendment of the national bank regulations recently issued by Comptroller of the Currency Dawes, with the approval of the Secretary of the Treasury. The new regulations stipulate that until June 30, 1924, or until such later date as may be prescribed, any national bank may purchase or discount paper maturing in not more than six months in an amount in excess of 10 per cent of the aggregate capital stock and surplus of the bank, provided that such paper shall be directly secured by at least 105 per cent of United States bonds, notes and certificates of indebtedness issued since April 24, 1917.

Dawes Urges Congress to Settle Branch Bank Issue

Comptroller of Currency, in Annual Report, Urges Early Settlement of Major Question. National Banks in Flourishing Condition. Combats Proposal to Transfer Major Functions of His Office to the Federal Reserve Board.

AN appeal to Congress to make a "fair and reasonable" settlement of the branch banking question by direct legislative action featured the annual report submitted to Congress by Comptroller of the Currency Henry M. Dawes shortly after the opening of the new session. Asserting that the further development of branch banking by large and powerful chains of branch banks would mean the ultimate elimination of independent banks, the Comptroller said the issue was now squarely up to the legislative branch of the Government, as the executive departments had gone as far as they could to control and regulate it. While expressing the belief that modification of the National Bank Act was desirable from several viewpoints, Mr. Dawes contended that it would be useless to proceed until the outstanding major problem was definitely resolved.

Picturing national banks in a flourishing condition and reporting that dividends had attained the record-breaking total of $179,000,000 last year, the Comptroller said: "It is gratifying to state that the well-fortified position of the national banking system, as disclosed by the character of assets and the volume of increase in the assets during the year, is evidence of the fact that the national banks occupy an outstanding place in our financial structure and are abundantly able to meet the demands of commercial and industrial enterprises."

While the national banks are strongly entrenched now and there is an absence of direct or open attacks upon their traditional principles, the Comptroller told Congress "the danger which confronts our present banking system lies in an insidious and gradual undermining influence, which is not so much the outgrowth of a conscious effort to introduce a new system as it is the result of a natural desire to secure temporary benefits for particular individuals and banking institutions without consideration being given as to the ultimate effects on the highly complicated and efficient machinery of American finance and exchange." For, according to the Comptroller, unlimited branch banking on the part of State member banks will mean "the eventual destruction of the national banking system and the substitution for it, and eventually for the Federal Reserve system, of a privately owned and highly centralized financial control of the banking machinery of the United States.

"If it should be concluded that the Federal Reserve system . . . . cannot survive the strain upon it of systems of branch banks, and that branch banks will mean the elimination of independent banks, it will then be a logical and necessary conclusion that the issue is a clear-cut one as to whether the country prefers a system of privately owned branch banks or a reserve system under Federal control.

"The question whether the extension of branch banking in the United States should be continued or stopped is now in the hands of the legislative branch of the Government. The executive branch has gone as far as it legally can to control and regulate this new development in banking. Neither the Comptroller of the Currency nor the Federal Reserve Board has the power fully to protect the national banks from the encroachment of State branch banking systems, nor to protect the people of the United States from possibilities of monopolistic control over their financial resources, which at the present time are handled through 30,000 or more independent unit banks.

"No Middle Ground"

"EITHER the national banks should be accorded the full branch banking privileges of the State banks and extensive branch banking be permitted in the Federal Reserve system, or State-wide branch banking should not be permitted in the system. There is no middle ground. It is a question of either embarking upon a career of branch banking or, for all practical purposes, curbing it.

"The Comptroller of the Currency suggests that a fair and reasonable solution of the question of branch banking in the United States can be made by Congress through the enactment into law of the substance of the resolutions recently adopted by the Federal Reserve Board, at the same time granting to national banks the power, with the approval and under the general supervision of the Comptroller, to establish and operate branch banks or branch offices under similar territorial restrictions, but definitely forbidding the establishment of such facilities by national banks in those localities where such privileges are forbidden to State banks and trust companies."

The Comptroller gave no quarter to the practice of branch banking. Declaring that branch banking is, in its essence, monopolistic and, in practice, had encompassed the extinction of independent banks in other countries, Mr. Dawes detailed his objections to the system. While he alluded to the difficulties of making satisfactory examinations of financial institutions with vast chains of banks, the Comptroller said this was incidental as compared with the important consideration involving the "ability of the Federal Reserve bank to meet the mobilized demands of an association of institutions under the control of a single interest having the power to concentrate the requirements of all of the separate institutions into one demand. If any lessons are to be drawn from the development of large industrial enterprises in the United States, it is that the principle of centralization, when once inaugurated, will proceed, unless interfered with by governmental action, to a point of complete concentration in an individual, or a group dominated by an individual. Should a situation of this kind develop in any Federal Reserve district, the Federal Reserve bank would either by eliminated as a factor in the financial community or be virtually under the control of such a group."

Independent Banks Needed

THE Comptroller sounded a warning as to what the passing of the independent banks might mean to any community.

"In a system of independent unit banks, the bank which best serves the community is the bank which is most certain to live

PAYMENT of dividends by national banks eclipsed all previous marks during 1923, the Comptroller's annual report to Congress revealed. Net additions to profits for the year ended last October 31 amounted to $293,500,000, notwithstanding the writing off of $160,000,000 in losses and depreciation. From the earnings, dividends of $179,000,000—surpassing the previous year's record by $13,000,000—were paid. Investments in bonds increased 11 per cent, while loans and discounts showed a gain of slightly over 5 per cent. Although there was no material change in the number of banks, there was an increase of $25,225,000 in paid-in capital and $26,000,000 in their surplus.

The "ANXIOUS SEAT"!

"The Viewpoint of the Employee Is the Most Neglected Asset in Industry."

Somewhere in this crowd of salesmen is *your* client's ambassador—waiting to tell his story across a big buyer's desk. He knows that this order must be obtained if his firm is to escape a deficit on the year's business. And he is on the "anxious seat."

Will the prices he is able to quote beat down competition? What about deliveries? Can he guarantee prompt production—and will quality be maintained uniformly in strict accord with exacting specifications?

Out in your client's plant are the answers to these vital questions. In the spirit of his employees will be found the "yes" or the "no" that determines success or failure for both his business and your interest in it.

The only safeguard for the prosperity of any industry is complete cooperation from the whole body of its workers—a will-to-do that robs competition of its menace and makes credit sound. This double protection we can promise to any open-minded business man.

Bankers, everywhere, have evidenced unusual interest in our booklet, "Stopping Payroll Losses." We will be glad to send any executive a copy, gratis. Simply write us on your business stationery. Please address Dept. G-1.

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Largest organization of its kind in the world

the longest and to be the most profitable to its stockholders. Since the type of man who starts a bank in a small community is essentially constructive, his natural associations and sympathies are with men of constructive type, and he extends the facilities of the bank most liberally to them. His loans take into account, as a first consideration, character and moral responsibility. He is naturally inclined to encourage young, aggressive and enterprising individuals, who will, in the course of time, bring business to the institution as he succeeds, and will develop commercial and industrial enterprise and be a factor in the creation of corporate and private undertakings, all of which will be feeders to the bank."

The ability of large institutions with branches scattered over a whole State to acquire the choice business in smaller communities by offering lower rates of interest on loans and higher rates on deposits than local conditions justify, coupled with the advantage of being in a position to grant facilities which are beyond the power of the smaller institutions to grant, was cited as one of the major reasons why smaller banks cannot survive.

Until the issue of branch banking is finally disposed of by legislation, nothing "thoroughly effective can be accomplished by other legislation," the Comptroller informed Congress, adding that he would be pleased later to submit recommendations for amendment of the national bank act, after consultation with governmental, financial and banking authorities.

Urges Relief For Banks

"IT would not serve the purpose to bring the privileges of the State banks in every case down to the level of those of the national bank. It would be a great misfortune if this were the only way to protect the compulsory banking membership in the Federal Reserve system. The constructive course lies in relief for national banks. Aside from the principle of branch banking, there seems to be no inherent basic antagonism or difference of interest between the State banks and the national banks.

"Nothing more beneficial could be done for the Federal Reserve system than to strengthen the national banking system. One of the greatest handicaps under which national banks have to operate is the rigidity, in many respects of the national bank act. It would be very undesirable to attempt to liberalize this act in any way that would be contrary to its traditional principles. The act has, however, been amended from time to time so that there are now many provisions in it which are, in spirit if not in letter, contradictory to other provisions. There are some conditions imposed by the act so expressed as to compel a technical interpretation that is contrary to the real interest of the act. There are, moreover, provisions which are in a measure contradictory to the provisions of the Federal Reserve act, which has become a complementary act of the national bank act, and many of the terms of which are mandatory upon the national banks. The situation is one in which clarification, definition and consistency, both as between the two acts and between the various provisions of the national bank act, should be brought about. If this were done, it would greatly relieve the difficulties of the national bankers by introducing a greater degree of flexibility, thereby enabling the banks to meet the varying conditions of the different parts of the country without making any compromises with sound banking."

While the Comptroller's report did not enumerate the subjects which might be covered by legislative recommendations, it was understood that he might touch upon four questions—liberalization of the section of the Federal Reserve Act covering real estate loans by extending the time on loans on city property; clarification of the exceptions contained in Section 5200 of the National Bank Act, which deals with the amount of money that a national bank can loan to one borrower; the question of granting perpetual charters for national banks in connection with their trust powers and perhaps a recommendation that national banks be authorized to engage in departmental banking, as *permitted* under the Michigan and California statutes, so that trust, savings and commercial departments might be set up as if each were an independent bank under one control.

Opposes Transfer of Functions

THE Comptroller devoted a large part of his report to combatting the proposal for transferring the major functions of the Comptroller of Currency's office to the Federal Reserve Board with the view to bringing about a simplified and uniform system of examinations and rulings. Mr. Dawes argued that such a change would violate the fundamental principle of trusteeship and deprive the national banks of their independent status. He contended that, inasmuch as the Federal Reserve banks are, in most cases, the secured creditors of national banks that fail, they would naturally press for the payments of their claims on the selected paper of the banks, regardless of the effect which such action would have upon the depositor, who is the general creditor. "In many cases," the report continued, "it is found that the Federal Reserve bank has practically all of the good assets and some of the doubtful ones to secure its claim. Quick action frequently destroys equities which are very valuable to the depositors and to the other subordinate creditors. It would be a national calamity to the depositing classes of the United States if their interests were not to be represented by authority independent of the greatest preferred creditor, the Federal Reserve banks." Emphasis was laid upon the fact that one of the unadvertised but chief functions of the Comptroller was to keep banks from failing, and that the Comptroller through his examiners frequently approached the Federal Reserve Board for the extension of credit to save them. Under the proposed system, Mr. Dawes inferred that the board would not be in a position to relieve distress and still conserve assets.

Mr. Dawes said that the principal arguments adduced in favor of the change was that duplication would be avoided and that a force examining all of the member banks would be more economically administered than one force under the Comptroller, examining the national banks, and another under the Federal Reserve Board examining the State banks. While pointing out that under the present arrangement the Comptroller's examination is for supervisory as well as for credit purposes, Mr. Dawes expressed the belief that "material improvement" along the line of credit information might be effected through consultation and cooperation with the Federal Reserve Board. "It is quite possible," the report sets forth, "that the large organization now maintained in the office of the Comptroller of the Currency might be increased so that it could, with economy and perhaps equal efficiency, carry on the credit investigations and examinations now being conducted by the Federal Reserve banks."

In concluding his appeal for the maintenance of the present status quo, the Comptroller pointed out that quick and summary decisions had to be reached to save situations and argued that more expeditious results might be expected from an individual than a board. "If we are to have a national banking system over which the Government exercises supervisory control, that control must be in the hands of an independent executive and not the representative of a preferential customer," he concluded.

Reciting that Congress had appointed a joint committee to conduct an inquiry to ascertain how a greater number of banks in agricultural communities might be brought into the Federal Reserve system, the Comptroller suggested that "it would be unfair and inexpedient to buy the membership of banks, who have not joined, at the expense of those who have built up the system, either through voluntary or compulsory membership. It seems hardly necessary to make the assertion that the stability and permanence of the Federal Reserve system would be infinitely greater if its entire membership were on a compulsory basis. There has been little discussion and little constructive effort directed along the line of fortifying the system by inducing individuals or banks to join the national system as a means of building up the Federal Reserve system; and if special stress is to be laid on the necessities of the agricultural districts, it should not be forgotten that, so far as the Federal Reserve system is concerned, it is the national bank rather than the State bank which has carried its facilities to the smaller communities. It seems a reasonable inference that if these are hampered in their growth through existing conditions or the enactment of new legislation, the smaller communities and agricultural communities will be the principal sufferers. It is to be hoped that in the present campaign for membership the interests of the existing members will not be sacrificed nor the greater desirability of fortifying the system by encouraging the organization of new national banks be forgotten."

The condition of national banks and a most comprehensive analysis of the resources, as reviewed in minute detail by the Comptroller, supported fully his statement that the national banking system was in a healthy, well-fortified position.

Diamonds, pearls and other precious stones, valued at approximately $82,000,000, were imported into the United States during the past year. Diamond imports exceeded those of any year except 1919.

Saved Labor

(*Continued from page* 438)

A directing, moderating influence is needed.

Yet the committee's investigation shows that the charges of profiteering are unwarranted. Over the period examined profits have grown smaller and smaller. Even the department stores, with the advantage of great economy in grouping a hundred stores under one roof, were found to be obliged, by their very size, to draw their clientèle from a wide territory. The expense of advertising to attract this scattered custom, and the cost of serving its public, almost offset economies effected.

The report reveals that something is very wrong with our distribution system. Of each dollar spent for bread in 1921, fifty cents was paid for distribution. In other words, fifty cents' worth of bread was purchased and fifty cents' worth of transportation and salesmanship—somewhat inedible items. If you ate rolled oats in 1921, you paid thirty cents of each dollar to the maker for his completed, boxed product. And you paid seventy cents to have the oats brought to you. These are typical examples.

The purpose of the Commission's report was to present the facts, with only the most general conclusions. Its findings outline so arresting a survey of our recent history that they are worth quoting. Having carried the mind back to the days when our grandfathers dressed in homespun and raised their food on their own farms, they continue:

"Cities grew and became the market places of agriculture. Inventive genius perfected machines to relieve more and more hand labor and to produce goods in greater volume. Working days became shorter and time and opportunity for recreation became greater. Education and travel created a desire for comfort, convenience and refinements not dreamed of in earlier generations. Invention after invention revolutionized habits and customs. Electricity added to the length of the day by lighting cities and providing means of rapid, comfortable locomotion. Telephone and telegraph extended communication and nationalized industry, commerce and finance.

"Refrigeration revolutionized the transportation and storage of food products and changed the living habits of the nation. Fruits, vegetables and fresh meats were transported to distant markets, the production of the whole country was made available to the large consuming centers and crops of seasonal production were offered to consumers throughout the greater portion of the year. The consumer came to accept unusual service and convenience as a matter of course and finally to demand more. Each new service and convenience drew additional people into the activities of distribution. Time-saving, convenience, comfort and satisfaction became the determining factors in the excellency of service. More and more facilities were created, more and more people were engaged, with a constant upbuilding of expense, until *we now have reached a point where it costs more to distribute and serve than it costs to produce.*"

Turning to the other new departure, also under Government auspices, we learn, through a recent article in the *Saturday Evening Post* that Secretary Hoover has instituted an extraordinary system of first-aid to hard-pressed competitors who need to simplify their products and minimize size variations.

The Commerce Secretary's methods of simplification are themselves remarkable for simplicity. He invited the paving brick manufacturers, among others, to meet in his offices, with representatives of the buyers' associations, for the purpose of scrutinizing their product to see where production costs could be cut. By common consent sixty-six sizes and styles of common brick were reduced to eleven.

These cooperative activities mark an entirely new departure in an attempt to change the attitude of government relations with business from that of interference to that of cooperation.

The scheme is a war product. To win the war we had to maintain a population used to a higher standard of living than any other in the world and at the same time manufacture enormous quantities of war materials. With that necessity as a stimulus the Federal Government forgot all about the Sherman Anti-Trust Act and busily combined and coordinated one industry after another. Only a greatly enhanced degree of cooperation through the industrial field served to win the war.

Combination is a two-edged weapon. It may be used harmfully or beneficially. The Department of Commerce desires to encourage only that sort of cooperation which will benefit everyone, simply because it will cut production costs.

Under the direction of the Department ninety lines of manufacture have undertaken by conference to eliminate unessential styles and sizes. It was found that scores and hundreds of plows and wagons were being

manufactured, just different enough from one another to increase the cost without making one more useful than another. The catalogues of only three manufacturers offered that ancient implement, the ordinary axe, in thirty-four models, four qualities, thirty-five brands, eleven finishes and nineteen sizes. Milk was being carried in 239 types of cans and bottled in sixty styles of bottle, corked with twenty-nine sizes of paper caps. One manufacturer was found to make 901 different models of bedsteads, thus loading up his dealers with a stock that would have the slowest possible turnover.

By eliminating useless variegation in table plates about 10 per cent of the year's expense was saved. By settling upon actual standards to replace the many variants of nominally one-inch and two-by-four lumber, an estimated saving of 250 millions was effected. The reduction of plows and wagons to essential sizes saved ten million dollars.

The Saturation Point Bugbear

BY saving labor then we are to multiply comforts and luxuries and diffuse them more and more widely among the people. But will there not be a saturation point reached sometime?—a point at which it is no longer possible to find purchasers for new products?

Certain theorists are fond of iterating that any given man can use only thus much and no more of the world's goods. Is that true? Can any man, looking into his heart, find that it applies to himself?

At the age of five we thought, perhaps, that we should be perfectly happy—saturated—if we only possessed a pony. At twenty our desires extended, we believed, no further than a trip to Europe. Europe symbolized saturation point. Yet time's passage proved the melancholy fact that we never achieve an aim without finding it somewhat shrunken. The glittering vision of life in the city fades into comparative drabness as the country boy grows acclimated. The glorious career which is the blazing sun of many a man's desire looks just a trifle shabby to that man when sunset overtakes him. He has other aims then; larger needs; wants far more difficult of satisfaction.

It is simply not true to say that Man's desires are limited. They may be at an instant of time in some particular direction. Having eaten one dinner, another immediately following it is not appetizing. But of human wants in general, it is historically accurate to say that they have expanded even more rapidly than the methods of gratifying them. Man can use whatever he can create to the last second of the ultimate future. He will use it and cry aloud for more and better and additional, unheard-of things.

Labor Saving Adds to Human Value

THE chief virtue of labor saving is perhaps its enhancement of the value of human beings. Those who remain, each doing the work of ten "saved" laborers, are of ten times their former worth. They now have a stake in the community, a bias toward consecutive endeavor, a justification for conservatism, an ambition to earn their way by faithful service which will make their good fortune permanent.

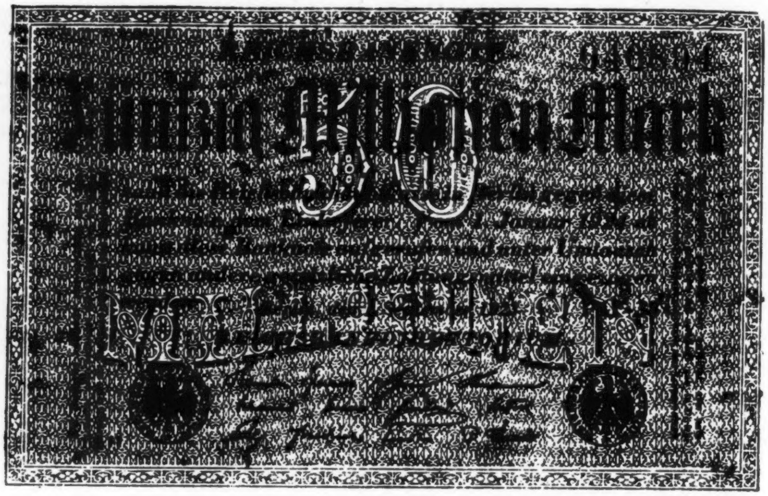
Meanwhile the "saved" laborers go out into an environment whose industrial pulse is beating a little faster, a stimulated environment where everyone is looking for devices to make each man worthy of ten men's wages, and where cheapened production boosts consumption, and larger consumption leads to new industries—and jobs for all!

In running his clients' businesses or counselling them, the banker must keep in mind the need for the *new* thing. Sometimes the new thing is also a very old thing, a return to by-gone methods or beautiful ancient patterns—nevertheless fresh thought, new arrangements, fertilization, a different attack, the scrapping of old methods (even though in favor of older methods) ar the things to be sought after.

It is not easy to pursue the *new* thing. With the best will in the world men fail at it. Hardening of the arteries of thought sets in, and it is almost impossible to continue to see the need for change.

A century ago experts declared that anthracite coal could never be burned. At another period men thundered against the introduction of bath tubs and secured the passage of laws prohibiting bathing save on a doctor's prescription. Only yesterday physicists proved that airplanes could not stay aloft, and ballisticians demonstrated that the 70-mile gun was nonsense. Just prior to the war bankers frequently expressed the conviction that the Federal Reserve System would never work. As some sage has said, all the assertions get disproved sooner or later.

It is because of the universal human tendency to "stand pat" that the above consideration must be urged. Scarcely anything has succeeded that was not laughed to scorn by the best informed people during its early phases.



A German used this fifty million mark note as writing paper in addressing an American friend

Condition of Business

(Continued from page 439)

So much of the year's corn crop is consumed on the farm as feed, that the largest cash crop for the year is undoubtedly cotton. The excellent return on cotton this year is due in no small part to a good European demand. Total exports from Aug. 1, the beginning of the cotton marketing year, to Dec. 20 were 16 per cent larger in quantity than in the corresponding period of 1922, and were 40 per cent larger in value.

Increased yield from the crops this year is undoubtedly helping the farmer to recover lost ground financially, and reports from the rural districts indicate better conditions, except perhaps in the case of the wheat growing districts. In general, frozen loans are being cleaned up gradually, and trade is improving.

Business Profits

AS far as the figures are reported, they show that business profits were highest in the second quarter of 1923, reflecting the active business of the late spring. These profits were not as good as those of 1920, but were nevertheless at a satisfactory level. In the third quarter of the year there was some reduction in profits in the case of most industrial concerns. It seems probable that the figures for the entire year will be regarded as more satisfactory than in any year since 1920. A great many business men, however, have commented on the fact that profits have been difficult to make this year because of high wage rates and opposition on the part of purchasers to any price increases. Business men everywhere are studying methods by which the same amount of work can be done with a somewhat reduced personnel. They are seeking for improved mechanical devices and better systems of management. The result is a state of competition in business which is likely to result in a steady increase in efficiency, and may perhaps result also in lower prices for manufactured products. In this way it may be possible that a more normal relationship between prices of raw materials and manufactured products may be restored.

Business Failures

BUSINESS failures in 1923, reported by R. G. Dun & Company, numbered 18,700, as compared with 23,700 in 1922. Liabilities involved in failures were also smaller than in 1922 by about $100,000,000. The course of failures during the year reflected very much the same conditions as did that of business profits. Failures were low in the early part of the year, but tended to increase somewhat as profits became smaller and the volume of trade was reduced later in the year.

Cost of Living

WITH its characteristic lag behind the movement of business and prices, the cost of living has continued to rise during the fall of 1923, and the latest figures announced for November show that the household expenses of a wage earner's family were higher at that time than at any time since 1921, although the increase since July amounted to only about 2 per cent. Since the spring there have been marked increases in the cost of clothing, food and shelter.

Foreign Exchanges

IN the field of finance the most striking recent events have been the weakness of foreign exchange rates and the strength of prices of industrial stocks.

Since early this year the currencies of England, France and Italy have rather steadily lost ground as far as their exchange value for the dollar is concerned, and in December the French franc declined to 5 cents, the lowest point which it has ever touched. Part of the weakness in European exchanges may be ascribed to heavy purchases of cotton from this country, and another major cause may be found in the

continued unsettlement of political conditions abroad. In the case of British exchange an important factor is the payment semi-annually of interest and principal on the British debt to this country. The payment, which was consummated on Dec. 15, amounted to $92,000,000. This payment was partly covered by shipment of gold to this country, amounting to $33,000,000 in November, and somewhat smaller sums in previous months. The payment was effected by the purchase of Liberty bonds, which were turned over to the Federal Reserve Bank of New York.

It is customary for foreign exchange rates to be weak in the fall, when cotton and grain are purchased here in large amounts, but the weakness during the past fall has been more marked than usual.

Stock Market

PRICES of industrial stocks and to a lesser degree prices of railroad stocks have made a remarkable recovery in the past two months, and have regained about half of the losses sustained between April and October of this year. The unusual feature of the latest advance is that it occurs at so brief a time following the gold market of last spring. For this reason many of the market-wise maintained that the present stock market is not in the midst of a genuine gold movement, but there can easily be found as many speculators who are of quite the opposite opinion. The movement is, of course, particularly cheering to those who believe that there is intimate connection between the movement of stock prices and the movement of business, and is taken by some to be an indication of more active business in 1924.

The bond market shows a continuation of that gradual price advance which began in September simultaneously with some downward tendency in short-term interest rates.

Money Conditions

ACTIVITY on the stock market has resulted in some increase in the loans on stocks and bonds made by city banks, but with this exception and the exception of temporary increases in connection with holiday demands the movement of bank loans has been generally downward for the past three months, probably as a belated reflection of the diminishing of industrial activity since the spring. As is usual in this season, short-term money has been slightly firmer under the influence of seasonal demands, but commercial paper rates, which show more clearly the fundamental tendency, have grown somewhat easier. The prevailing rate for prime commercial paper in the open market continues to be 5 per cent, but considerable quantities of paper are now sold, particularly in the interior, for 4¾ per ent.

With the continued inflow of gold, the majority of opinion appears to be that money rates will be still easier after the first of the year. The fundamental banking conditions of the present situation are clearly favorable to business.

With her coal exports surpassing all pre-war figures and the tonnage of shipping moving in and out of her ports larger than in either 1922 or 1913, Great Britain closed the past year with her foreign trade larger in amount, both as to imports and exports, than in 1922.

Educate the Beneficiaries

By H. C. CARR

President California Bankers Association

I HAD occasion a little while ago to interview a widow whose husband had been kind enough to leave her about $300,000—in the hands of a trust company. As I had known this woman for a long time I thought I might be able to ascertain what she thought of trust companies. I said to her, "If you were to be permitted to present your opinion with reference to the trust company, what would you recommend that they do? or that they should not do?"

"I think the idea that my husband had in leaving the estate in charge of them was pretty good," she replied, "because I knew absolutely nothing about the business. They tell me what the account is, give good and sufficient reasons for what they do, and everything is really all for the best for me. But there is one thing I think the trust company does not do. I have always thought when my husband made the arrangement with the trust company, he left something in charge of the trust company besides money or estate. I have felt that, while he did not leave my person to be administered or directed by them, he really committed to that trust company my welfare in far more than financial ways."

Having been left a fortune in charge of somebody else, for a couple of years she was almost entirely in ignorance of the real value of the trust, of the function of the trust company and the nature of the securities in which the trust company had invested her money. She did not know a bit more after two years than she had known while her husband was living. When a trust company manages the widow's affairs, its officers naturally have more intimate relations with the beneficiary than with the man who created the trust. He merely tells what to do and says he does not want to be bothered with details, but the widow's entire affairs, her very fate, in fact, is in the hands of the trust company.

I believe there is an implied obligation that the trust company should endeavor to educate the client, should try to get her to a place where she would know something about the elements of the business. In that way you make such beneficiaries thoroughly acquainted with the nature of the securities.

I asked this widow: "Do they not tell you the situation, why this security is better than that, and why the money is scattered, why it is better to have a variety of investments instead of only one?"

And she said: "Oh, no! They never do that. They do not think I have sense enough to understand anything of that sort, I suppose. They gave me a list and went into it in a rather indifferent way. But I do not know any more about my affairs than when the estate was left to me."

A short time after that I met a girl who had been more or less a pal of her father for a long time. He died and left her a very nice estate. I inquired of her, and her testimony was virtually the same. "I wish to goodness," she said, "that the trust officers, when I go in, would talk to me about my estate and about my affairs. I wish they would tell me something about that. Maybe I could administer a part of my estate myself. I would like to get at it anyway. Nowadays women either get into society on the one side or some kind of business activity on the other; they are not supposed to occupy a middle ground, and I really feel like a fool when I talk about my estate. I know that I am not supposed to have charge of these affairs, but at the same time I feel that I should know something about it, not exactly perhaps how much I am worth, not the figures of it, but just what kind of securities I have. I know I can go along and be comfortable and have to a degree the things I want, but I feel as though I am treated as an infant."

That girl was twenty-four years of age, and I really think there is a constructive idea in her thought in relation to trust companies.

It may be that these two women were exceptions to the rule; that all the rest have different experiences, but undoubtedly with these women the trust company failed in its obligations. There is a fine opportunity for the trust officers, for the men who manage the affairs of the trust companies, to have contact with this class of clients—a fine opportunity and an obligation to teach them at least some of the fundamentals of investment and business operations, so that they may be able, when they associate with their fellows, men or women, to exhibit a little spark of intelligence.

Bought Christmas Club Accounts When Bank Failed

THE Christmas cheer of 3000 depositors in the Christmas Savings Club of a Providence, R. I., bank, threatened by the failure of the institution a short while before the holiday, doubtless was saved by the generosity by Jesse H. Metcalf, who was already well known in the State for his philanthropic enterprises.

Mr. Metcalf, a week before Christmas, issued a brief statement, informing the members of the Christmas Club that, in order to keep them from being disappointed by not having the use of their savings at the yuletide season, he would make good their losses by buying their deposit books at their face value and accrued interest. A staff of clerks and tellers were engaged by the philanthropist to take care of the work. It was estimated that $159,000 tied up in accounts was released.

The Real Problem in Business

By WALTER W. HEAD

IN looking forward to the New Year we have no reason to fear an interruption of the normal processes of production, nor of the normal consumption of our various products within our own country. The real problem which impels caution in making a forecast of 1924 is the restoration of a normal foreign market.

It is a truism to remark that our prosperity depends, in a very considerable degree, upon our ability to market our surplus products in foreign lands. It avails nothing to discuss the possibility that we might be able eventually to maintain our prosperity without such a market. The fact is that our industrial and commercial structure has been built upon the assumption that we have a foreign market; re-organization upon the basis of purely domestic consumption would entail such a dislocation that prosperity would at least be handicapped for the transition period. The big problem, then, is the restoration of a normal foreign market. This is necessary for the benefit of our farmers who produce a surplus of raw materials, for the benefit of our manufacturers and laborers who produce a surplus of manufactured articles and for the benefit of all of us whose prosperity depends upon activity in industry and commerce.

This in my judgment is the prime question upon which our prosperity depends. It is true that the surplus sold abroad is but a fraction of our total production. It is equally true that this fraction of production determines the difference between employment and unemployment—determines the difference between 100 per cent consumption and partial consumption of our products. The latter results in drugging the domestic market with an unconsumed and unconsumable excess. Restoration of normal trade relations with the rest of the world—notably with Europe—is essential to the restoration of a higher tide of prosperity.

Events of the last month of the old year give promise that a restoration is possible—indeed, is likely in the near future. The power of America is great—power exercised through the financial pressure that may be exerted by a creditor nation upon its debtors, power by reason of the virtue of America's political ideals and economic principles. We should make use of this power, to the end that order maybe restored abroad, that the waste involved in unproductive military establishments may be reduced, that a foundation may be laid for reciprocal trade between all the nations of the world.

The increased prosperity that may come to America in 1924 is dependent very largely upon our ability to encourage and assist such a restoration. Personally I believe much will be accomplished. With this achieved, 1924 should be the first of a series of more prosperous years—years when adequate markets will demand and consume the surplus products created by us, by our wealth, by our labor and by our intelligence.

Stockholder Cooperation As a Force in Bank Development

By G. PRATHER KNAPP

Demonstrated by Trust Co. in Reading, Pa., When It Brought Nine Hundred Shareholders Together Around Dinner Table. Affairs of the Company Frankly Discussed. An Effort to Utilize the Interest of the Shareholders to Accelerate Growth.

FEW banks of less than a million dollars capital can show a distribution of their stock among more than a thousand holders.

Even fewer banks of any capitalization are owned by a thousand neighbors localized in one district of a city.

When a bank of $500,000 capital issues a dinner invitation to 1167 stockholders and has 900 of them actually present at a social function with a business purpose, the event seems worthy of some record in the annals of twentieth century American banking.

The Northeastern Trust Company of Reading, Pa., was organized four years ago in the assembly rooms of one of the churches of the northeastern section of that city. Due to the establishment of several important factories, railroad shops and interurban terminals in that part of the city, and to the development around these employment centers of residence and retail neighborhoods, the opportunity for a community bank had become apparent, and it was decided that this bank should belong to the community it was to serve.

Stock was issued at $10 per share par value. Its wide distribution was assured by restricting the size of any single investment in it to $100. Last October the bank's $500,000 of capital had settled definitely into the hands of 1167 stockholders. Analysis showed that only 124 of them were non-residents of Reading or people who for any other reason could not be expected to take an active interest and an active part in the building of the bank's deposits, the development of its trust, investment and safe deposit departments and the strengthening of its influence along commercial lines.

Unique Ownership

IT seemed to President John L. Rhoads that his bank should realize more definitely and more rapidly on this unique kind of ownership, and he referred to his directors the possibility of assembling the stockholders at one place for an exchange of views on the bank.

An investment, he reasoned, may be either the purchase of an obligation or the participation of the investor in an enterprise. Bank stockholders, the country over, are too prone to regard their investments in the sense of a bond, definitely obliging the management to earn interest for them. Only seldom do they appreciate that they are participators in the profits of a business and that they can and should improve their investment by widening the public service opportunities of their institution.

Of course the problem of assembling any large percentage of such an impressive stockholders' list was one which had to be definitely faced. Would it be possible to secure acceptances to an invitation and actual attendance at the dinner from as many as 500 individual stockholders? Would the reaction to such an invitation be favorable in a majority of cases? Was the chance of a small and unenthusiastic gathering worth risking?

The Invitation

THE president issued the following invitation:

"Dear Mr. Jones:

"You are cordially invited to join your fellow-stockholders of the Northeastern Trust Company at dinner in the Rajah Temple, at 6.45 p. m., Monday, Dec. 10.

"This dinner will be a remarkable and memorable gathering in more ways than one.

"No other bank could hold such a meeting, because no other bank belongs to nearly 2000 neighbors.

"No other meeting of bank stockholders could be so enjoyable or interesting as this one will be, because we are all one big family. We live close together. We know and like each other. We have the same pride in owning the fastest growing bank in Reading. And we have the same reason for wanting it to grow even faster.

"The dinner will be a good one, and we are promised a short but highly enjoyable program to follow it. But it will not be a 100 per cent success, unless you come.

"Write your acceptance at once on the enclosed card, and mail it promptly, so that proper arrangements can be made."

"P. S.—If by any chance you can't come, please write 'regrets' across the face of the card, sign your name, and mail it."

It was felt that, if one in three of the stockholders accepted the invitation, the reaction would be satisfactory. But on the evening set for the dinner, 905 stockholders moved into the hall to the strains of an orchestra, and took their places at flower-decorated tables. At each place was a menu in folder form, which combined "a feast of reason" with a list of viands. Beside it was a button which the stockholder was asked to wear for the occasion. Over the speakers' table, in figures large enough to be read from every seat in the hall, was a condensed statement of the company's progress in each department from its organization to date.

All Hosts, No Guests

IN his welcoming address, President Rhoads emphasized the point that this particular dinner was an entertainment with a thousand hosts and not a single guest. He reminded his hearers of the neighborhood spirit and the community enthusiasm which had brought the bank into being. He sketched its organization and early development briefly, and then, one by one, he introduced his associates, the officers and employees of the bank. As each man or woman, boy or girl was called upon, he or she rose and bowed to the applause of his or her employers. Mr. Rhoads explained what each employee does in the bank and how ready each one is to serve the stockholders and their friends.

Other speeches followed from directors and prominent stockholders. These were part of a carefully organized program which inspired rather than uttered the following list of ideas:

The stockholders of the bank form a definite community within themselves. They ought to know each other and they ought to help each other and each others' friends, through the development of their bank as an asset to its community.

The operating officers of the bank are experts in their various lines, and it is their job to safeguard the transactions of the bank and to develop its opportunities in every way. They are trusted with the funds invested by stockholders and attracted from depositors. They must see to it that capital remains intact, that a satisfactory surplus is built up and maintained and that the entire business is operated at a profit for its owners.

But there is an intangible capital which must be maintained intact, and an intangible surplus which must be built up steadily. These intangibles are the friendships which the bank has upon its organization and makes by its activities.

A *Bank's Friendships*

THE value of a bank's friendships depends first, on the number of its friends; second, on the kind of people they are and the kind of friendship they feel; third, on their location; last and most important, on their activity.

Salesmanship combines knowledge of a commodity with a certain inevitableness that gets the signature on the dotted line.

Enthusiasm and ability are essentials of salesmanship.

The stockholders were told what value is held out to the community by their bank's savings department, its commercial department, its trust department, its investment department, its safe deposit department. The stockholders were urged to spread the benefits of these essential services among their families, their business associates, their customers, the people with whom they spend money, their neighbors at home and at work, and their friends in every part of the city.

The detailed method by which each stockholder would operate was of course left very much to individual judgment, but it was suggested that bank service is sold by inquiring as to the needs of a prospect, by suggesting definitely and in particularized detail the way in which a given bank can serve those needs, by urging immediate action and offering to facilitate such action, and finally by repeating the inquiries, the suggestions and the urge.

Naturally it was possible to say things across the coffee cups and to say those things in a certain way that would have been impossible in cold, printed words. As a matter of fact the spirit of the gathering made many words unnecessary. When the president called for pledges of performance, the response was immediate—a total of $320,000 of new business was pledged that very night.

It is planned to keep the spirit of the dinner lively by periodical and frequent letters from the president to the stockholders. These letters will show actual results being obtained by the stockholders for the bank, and will further go into details of the services of each department and the method by which new customers for each department are being obtained.

A significant statement made at the dinner by E. W. McSparran, Secretary and Treasurer of the company was this one: "We have invested a certain amount of money in this stockholder cooperation plan. That amount is small or large according to the results it produces. It will be interesting to the stockholders to know that business already in sight as a result of this dinner will earn $12.50 in net profits every year it stays with the bank for every dollar expended on the present public relations activity."

Japan, Before and After

HOW Japan emerged from the recent catastrophe with her world trade position unshaken is revealed in a pamphlet, *"Japan, Before and After the Earthquake,"* just published by the Commission on Commerce and Marine of the American Bankers Association.

In a comprehensive survey of Japan's resources before and after the disaster, the pamphlet shows the extent of damage suffered by each of the major industries and predicts that the island empire will rebuild all of its vital enterprises.

With national wealth of $49,000,000,000 and actual gold holdings of approximately $890,000,000, as well as a favorable net balance abroad, Japan is pictured as having "a strong position in international finance" which will permit her to make provision in the inevitable financial readjustment for three items following in the wake of the earthquake: a net adverse trade balance for 1923, a decrease in ordinary revenues, and a vast but as yet unknown expenditure for raw materials to be used during the period of reconstruction.

"The industrial position of Japan was little affected by the earthquake, as the great manufacturing centers of Kobe and Osaka lie outside the devastated area," the Commission reported. "Shipbuilding, electrical equipment and a small portion of the textile industries were the only major manufacturing industries which suffered any material damage."

Although 7122 factories in Tokio were destroyed, the pamphlet expresses the opinion that while immediate heavy property losses were sustained, the industrial position of Japan will be benefitted from the national viewpoint as the destruction of many units will alleviate in a measure the over-expansion due to wartime developments in the three industries.

American Branch Banking in Latin America

By G. BUTLER SHERWELL

The first part of Mr. Sherwell's survey and analysis of American branch banking in Latin America appeared in the December issue of the JOURNAL. In this number this interesting analysis is concluded.

THE world wide economic crisis of 1920 caused the withdrawal of several American bank branches from Latin America. Actions of this sort in many cases resulted in upsetting trade conditions in the relative places as well as in bringing about a discontinuance of trade intercourse with the United States, severing relations which had proved valuable in former years. Different kinds of arrangements were made by the American banks for the liquidation of their affairs, but the one most generally used was the transferring of assets and liabilities to other institutions established in the field, arrangements being made with British institutions most generally. In that manner credit accommodations were arranged for former clients, thus avoiding possible financial embarrassments. Branch withdrawals were effected in a gradual manner. The total number of branches was reduced from 72 branches and 3 agencies, as shown in the table, to 45 branches and 1 agency, whereas the offices of the affiliated institutions were reduced from 32 in 8 countries, to 26 in 7 countries.

Analysis of Operations

THE following table shows the combined statement of conditions of all branches of American banks established in Latin America on Dec. 31, 1913, 1917, 1919 and 1922, which will serve to analyze the true position of the branches and will give a clear picture of the course of developments during the period since American banks began to branch out in the Southern countries:

Assets	December 31, 1913 1 American Bank 4 Branches	December 31, 1917 3 American Banks 17 Branches	December 31, 1919 4 American Banks 58 Branches	December 31, 1922 4 American Banks 52 Branches 1 Agency
Loans and discounts	$1,347,047.93	$70,888,086.14	$150,687,568.22	$139,561,207.83
Bonds, securities and investments	112,665.73	1,040,268.91	566,465.09	27,266,205.86
Due from head offices and branches	1,177,363.33	4,151,602.82	4,065,924.78	2,386,625.50
Cash on hand and due from local banks	1,810,510.04	14,778,520.57	35,763,001.93	24,241,899.98
Due from other banks	83,268.01	21,811,834.95	52,326,575.37	11,932,791.00
Customers liability account acceptances	....	202,245.93	37,877.31	1,389,208.52
Other assets	334,732.67	532,639.32	3,922,241.72	3,822,928.42
Total assets	$4,865,587.71	$113,403,198.64	$247,369,654.42	$210,600,867.11
Liabilities				
Individual and bank deposits	$4,809,944.95	$82,893,071.73	$168,722,310.16	$111,551,755.92
Due to head office and branches	2,805.20	18,433,361.59	42,922,059.37	48,668,587.40
Notes and long bills drawn and rediscounted	....	10,235,013.45	29,194,345.17	30,703,601.85
Acceptances	....	160,067.36	37,877.31	6,430,215.80
Other liabilities	52,837.56	1,681,684.51	6,493,062.41	13,246,706.14
Total liabilities	$4,865,587.71	$113,403,198.64	$247,369,654.42	$210,600,867.11

The four dates given in this table have been chosen as fairly indicative. In December, 1913, there were only four branches of one American banking institution operating in the field and may be taken as a point of departure in the development that followed. In December, 1917, there were seventeen branches of three American banks, and the combined statement of condition shows the position of American banking in Latin America at the beginning of a period of rapid development. The third column gives the position of the branches at a point when the maximum rate of activity had been reached, and the last column shows the position of the branches in December, 1922, when the critical post-war period seemed to have reached bottom.

The first item to consider is that of loans, discounts and investments. It may be noted that at all times individual and bank deposits did not cover the total of loans, investments and cash, which resulted naturally in heavy borrowing from the respective head offices, as may be seen from the increasing amounts under the heading of "Due to Head Office and Branches." It must be stated, however, that in very few instances, such as in the case of the Panama branches, deposits have been large enough to cover loans and a surplus has been available to remit to head offices or to other branches for investment. In the majority of the cases, branches have not been self-supporting and have been placed in the necessity of borrowing from the respective head offices to meet the credit demands of their customers. This proves the assertion contained in one of the first paragraphs of this study to the effect that branch banks in Latin America have involved the investment of American funds there. The effect of the critical post-war liquidation period on the financial condition of the Latin American branches of American banks is clearly reflected in the combined statement as of December, 1922. While loans, discounts and investments increased over the period of maximum activity by over $15,000,000, individual and bank deposits showed a reduction of over $57,000,000 and borrowings from the head offices increased by about $6,000,000. It is particularly interesting to note the increase in the amount of bonds, securities and investments from $566,465 in 1919 to $27,266,206 in 1922. The explanation for this fact is that credit operations, which could not be liquidated in 1920 or 1921, due to the general unsatisfactory situation, had to be renewed on different bases, accepting as guarantee whatever securities were obtainable, such as mortgages on lands, buildings and plantations. The ratio of cash holdings against deposits did not vary considerably. It stood at 17, 21 and 21 per cent for 1917, 1919 and 1922, respectively. While this ratio may be considered fairly reasonable, domestic banks in Latin America keep cash reserves in a considerably larger ratio, since the majority of these institutions do not have the facilities enjoyed by the branches of foreign banks in obtaining funds within a short time by drawing upon their head offices. It may be further noted from the above table that the financing of trade by means of acceptances by the branches established in Latin America did not reach considerable proportions. This was due to the lack of rediscount facilities in Latin America and to the fact that acceptance financing is still little known there.

Affiliated Institutions

WITH regard to affiliated institutions of American banks in Latin America, the table on the next page shows their combined statement of condition as of Dec. 31, 1919 and 1922. In December, 1917, the establishment of affiliated banks in the Southern countries had not progressed to any considerable extent.

An analysis of this statement of condition will confirm still further the assertion that American banking in Latin America has involved investment of capital. In December, 1919, when American banking activities abroad had reached a high water mark against total deposits of $29,679,944, loans, advances, overdrafts and accounts receivable amounted to nearly $47,000,000. This added to the amount of cash on hand gave rise to the amount due to the New York affiliated institution of over $31,000,000. The same reasoning may be applied in the statement of condition as of December, 1922, although the relative amounts were

	December 31, 1919 7 banks 27 branches	December 31, 1922 7 banks 26 branches
	Assets	
Cash on hand	$10,566,351.75	$4,525,873.97
Due from banks and bankers	8,870,297.00	1,279,562.65
Loans, advances and overdrafts	46,355,470.40	24,710,782.53
Accounts receivable	635,872.71	351,849.49
Other assets	1,360,277.26	788,338.55
Total assets	$67,788,269.12	$31,656,407.19
	Liabilities	
Deposits	$23,639,979.91	$5,404,215.21
Due to banks and bankers	6,039,963.69	2,896,143.91
Due to New York affiliated bank	31,060,476.69	16,368,016.44
Accounts payable	673,833.27	298,113.05
Capital	4,815,714.29	4,624,827.59
Surplus	769,228.38	1,582,441.19
Other liabilities	789,072.89	482,649.80
Total liabilities	$67,788,269.12	$31,656,407.19

considerably reduced. The ratio between cash on hand and total deposits, in the case of these banks is larger than in the case of branches. In December, 1919, it stood at 34 per cent against 56 per cent in 1922.

Comparison With European Institutions

IN order to be able to establish the points of difference, as above discussed, between the policies and systems which have been followed by the American banks in Latin America, as compared with those of the European institutions; the following table is presented. The first part of this table shows the condition of the English and Canadian, Italian, and German banks established in Argentina, as of Dec. 31, 1922. The second section shows the condition of the English, German, and Portuguese banks established in Brazil, as of Dec. 31, 1921, while the last portion shows the financial condition of the English, German, and Italian banks of Chile, as of the same date. The three above mentioned countries have been chosen since European banking has been developed there to the largest extent. The same reasoning which is applied to European banking in those countries may be applied also to the minor countries.

Analysis of Statements

IN the case of Argentina and contrary to the American case, the European banks and branches established there are self-supporting. That is to say, the amount of deposits held is sufficient to cover their loaning and discounting operations. It is only natural that at the beginning the European bank branches in Argentina started to work with funds borrowed from their respective head offices, but their long presence in the field assisted by the methods which these institutions followed in accommodating themselves to the customs and necessities of the people, has resulted in the fact that these institutions stand at present as independent and self-supporting banks. It appears from the above table that the ratio between cash on hand and total deposits is considerably large. In the case of the English banks it stands at nearly 50 per cent, whereas in the Italian banks it amounts to 24 per cent against 35 per cent for the German institutions. The reason for this is not only the superabundance of money to lend in Argentina during the last two years, but also to meet any contingencies which may arise on account of the lack of elasticity of the Argentine currency. The profits of the English institutions in Argentina, as well as those of the other foreign banks, have suffered lately on account of the prevailing conditions, and no expansion of ramifications has been reported lately. The German banks in Argentina suffered but little during the war in their domestic activities.

In the case of the European banks and branches established in Brazil, it may be noted that deposits, as in the case of Argentina, are ample enough to cover the credit operations of the institutions concerned. The above table shows to what extent the European banks in Brazil have undertaken financial operations on the basis of advances in current account, which have been previously discussed in this article. It may also

Condition of the English, German and Italian Banks in Chile
On December 31, 1921
(In thousands of pesos)

ASSETS

	Cash, Checks and Due from Banks		Loans		Stocks, Bonds and Real Estate		Bonds and Bills in Guarantee and in Custody		Other Assets		Total	
	Paper	Gold	Paper	Gold	Paper	Gold	Paper	Gold	Paper	Gold	Paper	Gold
English Banks	96,376	2,566	116,376	46,387	15,027	34	175,198	96,470	93,775	56,919	502,804	203,178
German Banks	23,238	2,288	87,031	43,579	1,197	1,908	107,689	2,241	33,824	62,064	252,980	78,492
Italian Banks	6,785	282	16,909	284	8,256	....	7,849	10	3,263	3,623	43,065	4,200

LIABILITIES

	Capital Paid in		Deposits		Bankers' Sight Bills		Bonds and Documents in Custody		Other Liabilities		Total	
	Paper	Gold	Paper	Gold	Paper	Gold	Paper	Gold	Paper	Gold	Paper	Gold
English Banks	26,341	2,451	161,174	47,581	2,509	53	175,198	96,470	137,579	55,822	502,804	202,378
German Banks	24,000	....	70,678	16,654	504	79	107,689	2,241	50,108	59,416	252,980	78,492
Italian Banks	12,088	....	14,133	1,193	300	....	7,849	10	8,692	2,996	43,065	4,200

Condition of the English, Italian and German Banks in Argentina
On December 31, 1922
(In pesos)

	Deposits		Loans and Discounts		Cash on Hand		Capital	
	Gold	Paper	Gold	Paper	Gold	Paper	Gold	Paper
English Banks	2,720,003	429,407,452	2,944,483	261,994,313	1,819,765	210,881,189	10,054,190	15,644,090
Italian Banks	1,198,520	407,260,241	444,437	356,977,630	1,372,503	97,751,050	12,000,000	13,172,450
German Banks	476,093	96,435,866	930,102	72,218,600	775,697	32,590,605	5,433,389	......

Condition of the English, German and Portuguese Banks in Brazil
On December 31, 1921
(In contos of reis)

ASSETS

	Bills Discounted	Advances on Current Account	Bills Receivable	Sundry Guarantees	Values Deposited	Head Office and Branches	Mortgages	Cash on Hand	Other Assets	Totals
English Banks	101,935	255,644	307,654	215,766	719,287	156,183	4,173	305,340	70,590	2,136,752
German Banks	28,703	89,653	59,420	26,393	51,561	146,238	....	25,149	32,662	459,579
Portuguese Banks	10,387	64,099	60,338	51,847	47,376	56,120	2,596	7,677	92,389	392,719

LIABILITIES

	Capital	Deposits	Values Deposited Account 3rd Parties	Head Office and Branches	Mortgage Bonds	Other Liabilities	Totals
English Banks	63,834	511,392	1,022,835	266,785	3,171	268,735	2,136,752
German Banks	20,880	85,686	137,373	163,195	....	52,445	459,579
Portuguese Banks	3,400	82,272	98,908	77,740	2,589	127,810	392,719

be seen that the mortgage operations of those banks play an important part in Latin American financing. A proportion of cash holdings against deposits cannot be established from the above table since the amounts reported as cash on hand do not include amounts deposited by these banks with the Banco de Brazil in order to comply with certain laws regarding exchange and discount operations. The British banks of Brazil have not reported additional ramifications during the last few years, but Canadian banks have lately shown signs of development in that field. It is pertinent here to mention the position of the German banks during the war, since Brazil declared war on Germany. A supervisor was appointed by the Government for each one of the three German banks established in Brazil. These supervisors did not assume the direction of the banks, they only established control over the operations of the banks in such a manner that all acts contrary to the laws of war or that might involve inconvenience for the country might be prohibited. At the middle of 1918, however, a suspension of operations was ordered by the Government and at the close of that year, the authorization given them to operate in Brazil was cancelled and a period of six months was set for their liquidation. In August, 1919, an executive decree was issued terminating the supervision of German banks and the Brazilianische Bank für Deutschland was authorized to operate for ten additional years. Since that date there has been but little German banking development in Brazil.

The last part of the foregoing table shows that the deposits held by the English, German, and Italian banks in Chile are large enough to cover the amounts of loans. The investment of a considerable portion of their assets in stocks, real estate, and investments of permanent character is widely practiced. The proportion between cash and deposits cannot be established from the above table, but the total of cash, checks, and sums due from banks appears to be quite substantial in proportion to deposits. Due principally to the critical economic conditions through which Chile has been passing since 1920, little European banking expansion has been noticed since that year.

Asiatic banking expansion in Latin America has been noticed lately. The Yokohama Specie bank has opened branches in Buenos Aires and Rio de Janeiro, while the establishment of a branch of a Chinese banking institution in Havana has already been decided upon.

Foreign Trade and Banking Development

IT would not be possible to establish a direct relation between the increase in the volume of Pan-American trade and the development of branch banking in Latin America since variations were due to causes of diverse nature. It is certain, however, that the American banks were successful in handling the heavy war trade intercourse between the Americas and were instrumental not only in developing commerce, but also in establishing permanent commercial relations and exploring new fields for the expansion of American trade. The table which follows shows the value of Pan-American trade as compared with that between England and Latin America from the year 1914, when the thought of banking expansion in the Southern countries was being given attention, to 1922. At the beginning of 1920, the maximum number of branches of American banks was reached and from then on, the decline in the value and volume of trade coincided with the gradual withdrawal of branches from different countries. For the purpose of comparison, the figures showing the value of trade intercourse between Great Britain and Latin America are also given. It may be seen from this table, that notwith-

Trade of Latin America with the United States and Great Britain

Year	Imports from the United States	Exports to the United States	Imports from Great Britain	Exports to Great Britain
1913	....	....	....	....
1914	$234,438,614	$486,155,789	£33,487,091	£69,912,457
1915	326,963,004	636,009,702	25,761,851	107,380,813
1916	498,506,223	823,558,818	34,796,625	104,567,110
1917	686,266,531	1,028,970,962	36,597,461	109,030,371
1918	686,007,004	1,106,540,393	45,238,644	141,218,819
1919	934,558,113	1,318,803,005	50,617,392	156,334,900
1920	1,488,344,122	1,766,077,938	115,295,570	223,380,000
1921	760,016,212	693,919,505	59,872,000	116,078,000
1922	524,777,268	794,539,372	53,129,940	107,536,917

standing the curtailment of credit facilities on the part of the British banks and the lack of development on account of the war, the British trade did not suffer in consequence. The following figures comprise trade between the United States and Great Britain with all the countries of South and Central America, Mexico, Cuba, Dominican Republic and Haiti.

Present Conditions and Conclusions

THE condition of American branch banking in Latin America at the present time is weak when compared with that of European institutions. In Panama and Haiti, however, American banks hold a strong position and in Cuba, although in number of branches a Canadian institution is leading, American banks control a very considerable portion of business.

From the foregoing exposition of facts, it may be concluded that so far, American branch banking in Latin America has involved the investment of capital. The policies of short-term commercial financing which they are inclined to follow in preference to other business and their relatively short stay in the field may be taken as the probable reason for such a condition. That American branch banking in Latin America has been highly instrumental in promoting and facilitating commercial intercourse with the United States has been clearly demonstrated not only by the increase in the volume and value of Pan-American trade since the pre-war years, but has also resulted in establishing a better acquaintance and understanding between the business people of America, upon a basis of efficient and prompt service. In countries where American banks are not represented, American trade is naturally dependent upon the service rendered by either European or native banks. It follows, therefore, that American trade with certain countries has suffered as a result of withdrawals of American branch banks. The fact that the policies followed by American banks in their Latin American ramifications differ considerably from those followed by European and native banks has also been discussed, and the problem still remains to be solved as to whether it is more beneficial for the bank and the interests it represents to adapt itself to the customs and system followed by other banks long established in the field or to introduce new methods of operation.

Exhibited Prize Cow in Bank President's Office

THE sight of a bull in a china shop is hardly as rare as the spectacle of a cow in the marble and mahogany office of a bank president. But nevertheless the novel expedient of installing a champion Jersey cow in palatial quarters was employed by the Security Trust and Savings Bank of Charles City, Iowa, in its effort to stimulate the movement toward diversified farming and better dairy herds.

Demonstrating the Advantages of Diversified Farming and of Improved Dairy Methods.

"Brown Lady's Little Jewel," a champion Jersey of Iowa and the Middle West, was taken from the nearby famous Sherman Farm to the bank building and kept on display there for two days. During the 1923 season, the blooded cow produced 1019 pounds of butterfat, as compared with the production of 150 pounds of butterfat by the average scrub cow. The merits of pure-bred stock were presented in a graphic way, as the bank arranged in the background a display of butter tubs, holding the comparative amounts of butter produced by the two cows. A dairy expert was placed in charge of the exhibit to answer the questions put by many of the thousands of visitors, who cast appraising eyes over the display.

While the champion Jersey held court in the bank, "Vive la France's Darling Boy," a $10,000 champion bull, arrived in his private car from Oregon to head the Sherman herd. One hundred business men met the train and formed a parade. Behind the band came the champion bull, followed by the champion Jersey cow and sixteen other prize winners, flanked on either side by the admiring marchers. The parade ended in front of the bank.

After this event, a mass meeting, attended by 300 interested farmers, was held to emphasize the place of dairying in the program for diversified farming. A Jersey Club was formed, two cow testing associations started and plans laid for the promotion of a cooperative creamery.

Officials of the bank estimated that 10,000 people inspected the exhibit in the President's office, while the parade was witnessed by a large number of spectators.

Attention in many parts of the Middle West was attracted to the novel method of driving home the need for pure-bred stock and superiority of blooded dairy cows over the scrub variety. Professors from the state colleges addressed the mass meeting.